Austria Sch22	Indonesia Rp3100	Philippines Peso40
Bahrain Din0.650	Iran Rls260	Portugal Esc120
Belgium BFr48	Israel NIS3.50	S.Arabia Rls7.00
Canada ...... C$1.00	Italy L1700	Singapore ...... S$4.10
Cyprus ...... C£0.90	Japan Y600	Spain Pta145
Denmark .. DKr10.00	Jordan Fils500	Sri Lanka Rup30
Egypt .... E£2.25	Kuwait Fils500	Sweden SKr9.00
Finland Fmk7.00	Lebanon £1250.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan .... NT$35
Germany DM2.30	Malaysia Rin4.25	Thailand Bht50
Greece Dr120	Mexico Pes300	Tunisia Din0.800
Hong Kong ... HK$12	Morocco Dh6.00	Turkey L600
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,701 — Wednesday November 23 1988 — D 8523 A

PECHINEY
How to make a quick $800m
Page 25

World News

Violence flares in Armenia and Azerbaijan

Flaring violence in the Soviet republics of Armenia and Azerbaijan brought a sitting of Armenia's legislature to an end and sent its deputies rushing back to their constituencies to investigate rumours of Armenian casualties.

Paris riot

About 500 miners from Lorraine clashed violently with riot police, throwing iron bars and burning sticks, outside the Paris home of Michel Rocard, French Prime Minister, in a protest over rejected claims for higher wages.

Arafat visa denial

US denied reports that it had decided to grant Palestinian leader Yassir Arafat a visa to address the UN General Assembly next month. Earlier story Page 4

Rioting in Khartoum

Police used tear gas to break up groups hurling stones in central Khartoum as southern Sudanese and thousands of Moslem militants clashed in protests about a peace accord which could end five years of civil war. Page 7

1m in Delhi strike

Nearly a million industrial workers from factories to Delhi and the neighbouring town of Ghaziabad in Uttar Pradesh state stayed away from work in answer to a trade union strike call. Page 7

UK secrecy move

UK Government's legislative agenda includes a surprise move to lift the secrecy surrounding the domestic security service. Page 24

Nyers to be PM

Mr Rezsö Nyers, 65, the architect of Hungary's 1968 economic reforms, was nominated to be prime minister succeeding Mr Karoly Grosz. Page 2

Angola peace pact

SA approved a US-mediated peace plan for Angola and Namibia marking a breakthrough to solving decades of conflict in south-western Africa. Page 24

Beirut rocket battles

Rival militiamen fought fierce rocket and machine gun battles in Beirut's southern suburbs as Lebanon marked its 45th anniversary of independence.

Baku shrine protest

Hundreds of thousands of Azerbaijanis protested in their capital Baku over an Armenian construction project which they say desecrates a national shrine in the disputed enclave of Nagorno-Karabakh.

Moscow train fire

Ten people were killed when fire broke out on a train travelling south from Moscow through the Central Asian republic of Kazakhstan.

Maputo peace move

Mozambique's President Joaquim Chissano has authorised the country's Christian Council to make contact with the rebel Mozambique National Resistance.

Rolls wins court ban

Rolls-Royce won an injunction to an Australian court banning Adelaide manufacturer Creative Cars from using look-alike mascots and logos on cheap immitation limousines.

Business Summary

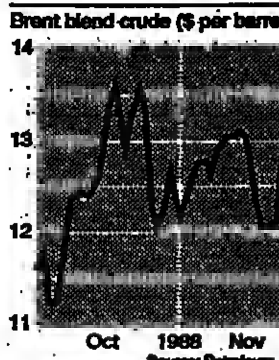
Super Channel under court protection

SUPER CHANNEL, loss-making general entertainment satellite television channel, was placed under court-appointed administration as Betatelevision, the new Italian majority shareholder, disclosed that the debt burden, at £11m ($20m) was far worse than expected. Page 9

OIL PRICES soared as traders responded to a renewed sense of optimism at the ministerial conference of the Organisation of Petroleum Exporting Countries in Vienna. North Sea Brent oil for December delivery closed up 125 cents at $13.40 in European trading. Page 42

Oil

Brent blend crude ($ per barrel)



Source: Petroleum Argus

ABBEY LIFE, UK-based life insurer, launched a second attempt to win shareholder approval for its merger with Lloyds Bank. Page 25

TOTAL Marine Norsk, Norwegian subsidiary of Paris-based Total-CFP, is to purchase for NKr960m ($145.4m) a 30 per cent stake in Saga Petroleum, Norway's largest independent oil company, raising its holding to 35 per cent. Page 25

ELF AQUITAINE, French state-controlled oil group, plans 30 per cent cut in workforce of Elf France, its domestic refining and distribution subsidiary. Page 28

GRAND Metropolitan, UK drinks group, is to challenge in the High Court the decision of the Takeover Panel which left its rival, Pernod Ricard, in apparent control of Irish Distillers. Page 25

HOSPITAL Corporation of America, largest hospital chain in the US, agreed to a management-led buyout worth about $51 a share or $3.6bn after failing to attract any higher offers from outside bidders. Page 28

BANK of Scotland is to raise £100m through a novel stock issue which is designed to meet the new rules set by this year's Basle agreement on bank capital. Page 29

VICTOR COMPANY of Japan, video and audio products maker, showed a marked trading recovery after two years in which it was largely sustained by its financial gains. Page 27

FRIED Krupp, the hard-pressed West German steel and engineering group, said that it could plunge into a loss of up to DM100m ($58m) before tax this year as a result of heavy losses in its industrial plant division. Page 28

LTV, second largest US steelmaker, reported losses of $1.24bn for the third quarter. Page 28

ROYAL Dutch/Shell Group will be allowed by Singapore and Japan to take a 30 per cent stake to a Singapore ethylene complex owned 50-50 by Japan and Singapore, according to Temasek Holdings, the state holding company. Page 27

INDUSTRIAL EQUITY, Australian arm of Sir Ronald Brierley's New Zealand-based empire, launched an A$828m ($650m) bid for Woolworths, the struggling Australian retail chain in which it has a disputed 42.5 per cent stake. Page 28

Bush pledges early 'hands-on' talks to cut budget defict

By Peter Riddell in Washington

THE incoming US Administration will begin immediate formal negotiations with Congress on how to reduce the country's budget deficit on the day it takes office in two-months' time.

President-elect George Bush announced yesterday that "on the first day of my presidency I will name negotiators to represent the executive branch in deficit talks with the Congress. And I too will be hands-on in talking with members of the Congress, both sides of the aisle" (meaning from his own Republican Party and the majority Democratic Party.

He told Republican state governors in Mobile, Alabama, that he viewed the problem of the deficit as "pressing" and said he would work constructively with Congress for a solution.

The outgoing Reagan Administration yesterday produced economic forecasts which will form the basis of the budget submission and deficit projections to be put forward in early January. The estimates for growth and inflation are more optimistic than those of private-sector economists. This implies that the projected deficit for fiscal 1990 starting next October will be less than most outside estimates.

In particular, Mr Beryl Sprinkel, chairman of President Reagan's council of economic advisers, predicted that total output, as measured by gross national product (GNP), would grow by 3.5 per cent next year (compared with private forecasts in the 2.4-to-2.5 per cent range). This compares with an expected 2.6 per cent expansion to the year to the fourth quarter.

Mr Sprinkel cautioned that after adjusting for the recent drought there would be an underlying slowdown in growth from 3.3 to 2.8 per cent between the two years.

Mr Sprinkel said the forecasts reflected the belief that the US trade deficit would continue to make substantial improvements next year, triggering strong business investment.

Consumer price inflation is forecast to slacken to 3.7 per cent next year from an expected 4.3 per cent growth this year, while short-term interest rates, as measured by three-month Treasury bills, will begin to come down, averaging 5.5 per cent next year, against 8.2 per cent currently.

On the way to his Alabama speech Mr Bush told reporters that Prof Michael Boskin of Stanford University, one of the main economic advisers for his election campaign, was still in the running to succeed Mr Sprinkel. Describing Prof Boskin as "a good man," Mr Bush said that he wanted to talk to him and that "he might well prove to be the economic adviser."

Mr Bush's comments about the deficit were intended both to underline the urgency with which he and his advisers view the budget problem and to take the initiative in the delicate exercise in the manoeuvring under way with the Democrat-dominated Congress about who should take responsibility for politically unpopular measures.

Mr Bush argued that "the American people in voting for me have said in clear terms that the solution to the federal budget deficit is to get better control of spending, keep the economy expanding, and not raise taxes."

This is in spite of the belief of many commentators and politicians, including former Presidents Ford and Carter, that some form of tax increases are unavoidable if the deficit is to be reduced. However, Democrat leaders in Congress will not themselves propose tax increases.

While formal talks cannot start until Mr Bush is inaugurated on January 20, he noted yesterday that, "in a less formal way," the process had already begun in talks he held last week with majority and minority leaders in the House of Representatives. The President-elect plans to meet Senate leaders next week, and his economics team will be involved in further contacts.

Mulroney set for swift move on US trade deal

By David Owen and Andrew Marshall in Toronto

MR Brian Mulroney, Canadian Prime Minister, is expected to move for a swift reconvention of Parliament in a bid to ensure the prompt passage of the US-Canada free trade agreement. The deal is scheduled to go into effect on January 1.

This follows the conclusive victory of the Progressive Conservatives in Monday's general election. Mr Mulroney became the first Conservative Prime Minister since Sir John MacDonald 100 years ago to secure a second consecutive majority.

December 12 is being widely suggested as a target date for the Parliamentary recall. A Mulroney campaign aide recently hinted that the House might sit on Christmas Day to push the free trade legislation through.

While the legislation could conceivably still be delayed by the Liberal-dominated Senate or Upper House, Mr John Turner, Liberal leader, has personally assured Mr Mulroney of his co-operation.

Stronger-than-expected support in the key provinces of Ontario and Québec paved the way for a reduced Tory majority. The party eventually won five more seats in predominantly French-speaking Québec than it did in its 1984 landslide. This compensated for the party's disappointing showing in eastern Canada, British Columbia and the Territories.

In the final tally, the Conservatives scored a majority of 45 seats – well down on their emphatic 140-seat margin of four years ago. The party's share of the popular vote slipped to 43 per cent, compared with 50 per cent in 1984.

Five members of the cabinet, including Mr Ray Hnatyshyn, Justice Minister, Ms Flora MacDonald, Communications Minister

Continued on Page 24

Kawasaki buys 40% of Armco core steel business for $350m

By Roderick Oram in New York

ARMCO, the fourth largest US steelmaker, is to sell a 40 per cent stake in its core steel operations to Kawasaki Steel for about $350m, marking the largest incursion yet by Japanese industry into US production.

For Armco, the deal will bring financial and technological infusions even though it is considered one of the US industry leaders in research and development. For Kawasaki it means better access to a market in which imports are limited to 20 per cent.

Japanese steelmakers have set up more than half a dozen joint ventures in US companies in recent years with a particular eye on the rapidly rising US production of cars and pick-up trucks by Japanese companies.

The previous largest deal was the purchase of 50 per cent of National Steel for $310m by NKK in 1984. Kawasaki already has a US presence through California Steel Industries, a rolling mill it owns jointly with Companhia Vale do Rio Doce of Brazil.

Kawasaki will become a 40 per cent partner in Armco's eastern steel division, with the option to increase its stake to 50 per cent. The unit is the bulk of Armco's carbon steel operations with 3.5m tons of capacity, $1.5bn of annual sales and more than 10,000 employees. Its main products are flat-rolled steel for cars, appliances and buildings.

Main plants include those in Middletown, Ohio, and Ashland, Kentucky, which will benefit under the joint venture from quality and productivity improvements, Armco said. The division's capital spending last year totalled $330m.

The joint venture will also take on $200m of Armco's debt and some $250m of employee benefit obligations. It will be run by a committee drawn equally from the two partners.

As a result of operating near capacity and due to rising prices, Armco turned in net earnings of $57m on sales of $2.93bn last year, its first profit since 1981. It shrunk drastically, though, during the mid-1980s steel industry crisis. In 1981 it earned $294.5m on sales of $6.9bn.

Other joint ventures with the Japanese have allowed US producers to introduce leading steel-making and finishing technology. LTV, for example, has an electrogalvanising operation with Sumitomo Metal while Wheeling-Pittsburgh has a zinc and aluminium coating facility with Nisshin Steel.

Most impressive of all, I/N Tek, a joint venture 60 per cent owned by Inland Steel and 40 per cent by Nippon Steel, is building a $400m state-of-the art cold rolling mill. It will finish a metal coil in one hour – compared with 12 days currently – using a process which Nippon Steel has pioneered in Japan.

Brazil may scale down foreign debt conversion programme

By Ivo Dawnay in Rio de Janeiro

BRAZIL appears set to scale down or suspend its foreign debt conversion programme despite loud protests from bankers and investors.

Finance Ministry officials said ministry economists were studying four possible options for restricting the eight-month old scheme following criticisms that its impact on the money supply was fuelling Brazil's soaring inflation rate.

The debt conversion scheme allows banks to rid themselves of Brazilian loans by selling them at a discount to investors who convert the debt into cruzados for investment to Brazilian businesses.

The options being examined are:

- A suspension of the scheme for four or six months;
- A reduction to the volume converted at the monthly debt auctions from $150m to maybe $100m;
- The holding of auctions every two months rather than monthly;
- The delaying of disbursements of cruzados for up to three months after each auction.

By September the auctions had converted some $1.85bn in debt, held frozen at the Central Bank, into investment projects, with several billion more through so-called informal conversions whereby creditors accept payment in cruzados. What could well be the last auction is due to be held next week.

The Ministry said yesterday no changes to the conversion programme were envisaged before the New Year.

Mr Mailson da Nobrega, the Brazilian Finance Minister, said earlier this month there were no plans for radical changes. He denied the programme had had any significant inflationary impact.

Inflation is currently running at over 27 per cent a month.

Central Bank figures yesterday showed that total foreign investment this year is likely to exceed $2bn compared with negative capital flows in 1986.

Bankers believe debt conversion is the most potent, if not the only, means of encouraging foreign spending in Brazil.

Any revisions to the scheme would not affect the debt/equity conversion scheme outlined in Brazil's $5.2bn new money package recently agreed with its group of creditor banks, bankers pointed out

Continued on Page 24

EC industry faces 'painful' restructuring

By Guy de Jonquieres in London

EUROPEAN industry is heading for a drastic and painful restructuring which will lead to the disappearance of many companies and could create higher unemployment in the next few years, several business leaders warned yesterday.

They expected these threatened upheavals to fuel pressures in the European Community for at least temporary trade protection against third countries, particularly Japan. EC governments could find such demands increasingly hard to resist.

Their forecasts, at a Financial Times conference in London, suggest that the recent euphoria generated by the EC's single market plan is starting to dissipate as companies face up to the reality of fiercer competition.

Sir John Hervey-Jones, chairman of Parallax Enterprises and former chairman of ICI, said that in the next 10 years, more than half of Europe's factories would be closed and half its companies would disappear or be absorbed by mergers. He was optimistic that a more integrated European market would be achieved, but warned: "I have to say that the road from here to there is going to be a very stony one, and not a very easy one for us to walk."

Mr Percy Barnevik, chairman of ABB, the recently merged Swedish-Swiss heavy engineering group, said it would not be easy for the EC simultaneously to restructure overcrowded sectors and to open its market to competition from Japan and South Korea.

There were 13 locomotive builders in Europe, compared with two in the US and three to four in Japan. A reduction in their number was necessary to increase efficiency but would lead to higher unemployment, which would take time to absorb.

"These are the hard realities behind the nice words higher productivity and more competitive," he said. Political sensitivities would make restructuring even harder in Europe's poorer regions. He suggested that only one third of European companies would see themselves as winners from increased cross-border trade in a single market, while two thirds would see themselves as losers.

Robert J. Eaton, GM president

Mr Robert Eaton, president of General Motors Europe, said severe cutbacks could be forced on European car makers if existing national restrictions on Japanese car imports were lifted.

The Japanese share of the European new car market could rise to as much as 30 per cent from 11 per cent today, threatening about 10 big assembly plants and as many as 300,000 jobs in Europe. "It is not difficult to assume that it could be mainly the Japanese who will be the major beneficiaries of a unified single market," Mr Eaton said.

Though trade protection would only lull European industry into false complacency, it could become hard to resist, particularly if countries such as Japan and South Korea continued to promote their industries at the expense of their trading partners.

Mr Eaton said the future of EC integration would be decided by a contest between those who prized national sovereignty and those who were convinced that global competitiveness must result in elimination of national barriers.

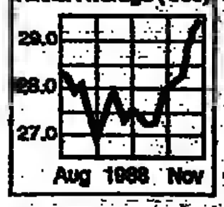
Kevin Done, in London, adds: Mr Alex Trotman, chairman and chief executive of Ford of Europe, warned yesterday that some of the biggest barriers to technical harmonisation in the European motor industry would remain despite the move to a unified EC market.

"Whatever barriers it breaks down it is not going to bring about a harmonisation of technical standards in Europe.

"In all likelihood we are still going to have to build to meet at least three emissions standards in Europe."

MARKETS

Japan
Nikkei Average ('000)



INTEREST RATES
US lunchtime
Federal Funds $8\frac{3}{8}$% ($8\frac{5}{16}$)
3-mth Treasury Bills: yield: 8.26% (8.24)
Long Bond: $99\frac{5}{8}$ ($98\frac{23}{32}$)
yield: 9.15% (9.1)
London
3-month interbank: close $12\frac{3}{32}$% (same)

STERLING
New York lunchtime
$1.8325 (1.8235)
London:
$1.833 (1.8245)
DM3.1525 (3.15)
FFr10.7775 (10.7725)
SFr2.6525 (2.65)
Y222.5 (same)

DOLLAR
New York lunchtime
DM1.72025 (1.72625)
FFr5.881 (5.908)
SFr1.44625 (1.45525)
Y121.375 (121.925)
London:
DM1.7205 (1.727)
FFr5.88 (5.905)
SFr1.4475 (1.4525)
Y121.35 (121.9)

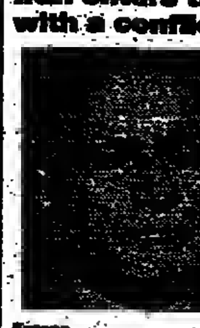
GOLD
New York latest Comex Dec $419.5 (416.5)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av. 2,082.94 (-3.03)
S&P Comp 265.42 (-0.8)
London:
FT-SE 100 1,821.3 (+10.2)
World: 136.74 (Mon)
Tokyo
Nikkei Ave 29,430.12 (+145.86)
Frankfurt
Commerzbank 1,587.8 (-13.5)

OIL
Brent 15-day (Argus) $13.40 (+$1.25) (Dec)
West Tex Crude $14.4125 (+$1.29) (Jan)

CONTENTS

Iran enters the post-war era with a conflict of ideology



Since the dissolution of the ruling Islamic Republic Party, the only recognised party has been the Freedom Movement of Mr Mehdi Bazargan, who has suggested that government actions against his party could lead to dictatorship
Page 24

'Social Democrat' reformer picked as Hungarian PM

By Leslie Colitt in Budapest

MR REZSO NYERS, 65, the architect of Hungary's 1968 economic reforms, was yesterday nominated by the Central Committee of the Communist Party to be prime minister succeeding Mr Karoly Grosz, the party leader, who had held both posts.

The choice of Mr Nyers, a former Social Democratic official before the Communist takeover in 1950, underscored Hungary's aim of stepping up the pace of reform. Mr Nyers was expelled from the ruling Politburo in 1974 by opponents of reform and rejoined it only last May.

The Central Committee also prepared to disclose today a wide-ranging reform of its own administrative machine.

The powerful and highly unpopular department of agitation and propaganda (Agitprop) which controls the mass media and promulgates party ideology is to be abolished. The Hungarian party will become the first within the Warsaw Pact to take such a radical step towards reducing party control of the press.

In addition the Central Committee will scrap its departments of culture and science and will replace the three departments with one "social-political department."

The move marks an apparent loss of authority for Mr Janos Berecz, the Central Committee Secretary responsible for ideology, to whom the 50-member Agitprop department reported.

Rezső Nyers: belongs to independent political group

A senior Hungarian official explained that in the future the Central Committee's staff, numbering about 300, would become "advisers" to the party and would no longer serve one of the five secretaries.

"We want to change from being a party of bureaucrats into a party engaging in politics" the official noted.

The decision to abolish the Agitprop department was made possible because the party is preparing a new press law under which interested citizens and groups will be able to publish independent newspapers and magazines as well as set up radio and television stations without control from above. Representation will be given to non-communist social groups in the state-owned mass media.

Mr Nyers' most serious rivals for the highest government office were Mr Miklos Nemeth, a technocratic member of the Politburo who serves as the Central Committee's secretary for the economy and Mr Imre Pozsgay, the Politburo's most ardent political reformer.

The new Hungarian prime minister, who is expected to be approved today by the People's Patriotic Front and later this week by parliament, becomes the only East European leader who is also a member of an independent political group. He supports the recently-formed New March Front which is urging a radical democratisation of Hungarian society and political life.

Unusually, Mr Nyers emphasised in a recent interview that he never "joined" the Communist Party. Instead he had remained a social democrat whose party was "merged" with the Stalinist Hungarian Party in 1950 and which subsequently lost its identity.

Some Hungarian officials said Mr Nyers would be a transitional prime minister who would serve until new, more democratic elections in 1990 or 1991 when more comprehensive reforms might be needed.

£115m is missing in Greek bank scandal

By Andriana Ierodiaconou in Athens

A HOST OF irregular financial dealings generating a deficit of over Dr30bn (£115m) have been identified by the Bank of Greece audit on the Bank of Crete, the private commercial bank controlled until last month by runaway press baron Mr George Koskotas.

Mr Koskotas was suspended from the Bank of Crete and a Bank of Greece commissioner was appointed to conduct a full audit last month. The 34-year-old banker, who was charged with embezzlement and foreign currency fraud, fled Greece while under surveillance early this month, surfacing last week in Brazil.

The Koskotas affair has rocked the Greek Socialist Government, which has been accused by opposition parties and the Bank of Greece of having tried to obstruct the investigation into the young tycoon's financial dealings.

The Bank of Greece report, which was released for publication, states that "total disorder" reigned in the Bank of Crete records at the start of the audit, and recommends that the investigation into the bank's finances be continued to allow a full assessment of its status.

According to the report, the bank's accounts show a deficit of Dr30.3bn representing "a clear flow of funds diverted by the Bank of Crete for extraneous purposes."

Of this Dr30.3bn, the report traces Dr19.6bn to a variety of destinations including Mr Koskotas's publishing and soccer interests, and private individuals. Fine details of these transactions were set out in appendices to the report, published separately. The funds were channelled through Mr Koskotas's personal account at the Bank of Crete. The audit concerned that documents showing over $30m in Bank of Crete foreign currency reserves with two major international banks were forgeries.

The report states that "irrespective of any unorthodox operations by the management, the bank faced cashflow and profitability problems deriving from the manner in which it was being administered."

A list of dubious practices detailed by the report includes higher than average interest rates offered to public sector organisations, "curiously attractive" terms offered for time deposits, the irregular issuing of Letters of Credit, disregard for incurring high risks in approving loans, unorthodox accounting methods and the absence of control over the transfer of cash funds from the central accounting office to the management of the bank.

Soviet managers resist pressure for industrial democracy

By Quentin Peel in Moscow

INDUSTRIAL democracy is creeping very slowly into Soviet industry, and running into strong resistance from higher levels of management, according to a survey by Soviet sociologists.

The election of managers by their workers was a key reform introduced by Mr Mikhail Gorbachev, the Soviet leader, this year in the new Law on State Enterprise.

It was a clear bid to shake up the old bureaucratic management structure appointed by ministries and the Communist Party, and encourage more plant-level initiative.

So far, however, the new system seems to be making little impression on the personnel running Soviet industry, according to the researchers.

There is overwhelming support for the principle that managers should be elected – 86 per cent of those questioned fully or partially support the new system. However in practice it is proving less popular.

The researchers from the Centre for the Study of Public Opinion on Socio-Economic Issues, headed by Academician Tatyana Zaslavskaya, interviewed 1,500 skilled and manual workers, trade unionists, middle managers and enterprise directors in the cities of Moscow, Novosibirsk and Perm.

"The higher the level, the more critical they are of the process," Mr Alexander Kinsbursky, one of the senior researchers involved, said yesterday.

"If we speak about people who are supposed to be nominated (for election), they are very critical. They insist that election cannot decide the competence of the director."

Before the new law came into effect last January, only 30,000 managerial staff at all levels – from foreman up to director – were elected in the Soviet Union.

"We expect that figure to grow rather quickly, but there are problems," Mr Kinsbursky said.

"The elections so far have not been very efficient. The choice of candidates is very limited."

He said that in 70 or 80 per cent of the elections studied, the procedure was very formal, and often the only candidate was the former director.

Another key problem exposed was the continuing pressure to choose managers acceptable to the party and government hierarchy, which meant the same people as before.

"The director who was nominated from above was supported from above," Mr Kinsbursky said. "This support was essential for the plant or factory. It meant additional funds and supplies."

"Those directors elected and not nominated (from above) face great difficulties. We have a lot of examples. And the rank and file workers understand that if they choose a director who is not popular at the top, they will immediately feel it in their conditions and wages."

The poll concluded that although most groups supported multi-candidate elections (around 70 per cent on average), instructions issued by the All-Union Council of Trade Unions and the State Labour Committee suggest that the selection need not be competitive.

It highlights the question of whether potential managers, foremen and the like should be encouraged to put themselves forward for election. "For decades this element in our life practically did not exist," the researchers said.

"Self-nomination was considered as a manifestation of immodesty... The administrative-command system ensured that the right to nominate a leader belonged to it exclusively.

"Perestroika breaks this ethic of pseudo-modesty," they conclude. "Today any worker can propose himself for election."

However the greatest resistance to such a practice comes from the top managers themselves, the survey concludes. "The echo of former directives is still alive."

Swedes plan sharp cut in marginal tax rates

By Robert Taylor in Stockholm

THE Swedish government is expected to announce today the outlines of a radical tax reform programme which will cut drastically the country's high marginal income tax rates.

Mr Kjell-Olof Feldt, the Finance Minister, has staked his political authority on pushing through changes that he believes are necessary to revitalise the economy by rewarding hard work, personal saving and efficiency.

It is suggested in political circles that he has threatened to resign if he does not have his way on a set of policies that he hopes will stay in place through the 1990s.

Sweden has earned an international reputation as the country with the highest rates of marginal taxation in the world, up to 75 per cent on the highest incomes and 35 per cent on the lowest.

Mr Stig Malm, leader of the LO blue-collar union organisation, met Mr Feldt on Monday to discuss the tax plans and it appears the unions are prepared to back the broad outline of the changes, although there may be strong disagreements over details.

Yesterday Mr Feldt discussed his intentions with the white-collar TCO union and his own party's backbenchers. However, the employers and the non-Socialist parties appear to have been left out of the consultation process up to now.

Car adverts to drop speed claims

By George Graham in Paris

FRENCH carmakers and importers have agreed under pressure from the government to stop advertising how fast their cars can go.

The new code, much tougher than earlier advertising rules agreed by car companies in 1984, follows a savage increase in motor accidents this year, after 15 years of steady improvement in road safety.

In the first seven months of this year, the number of accidents rose by 10 per cent, and the number of deaths climbed by 16 per cent. Despite a sharp improvement in August, France is still heading for 11,000 road deaths this year, beating Belgium and Spain as the most dangerous European country for motoring.

The government has already announced a number of measures aimed at improving road safety, including a points system on driving licences and the introduction of compulsory mechanical testing for older vehicles. Mr Michel Rocard, the Prime Minister, has also written to ministers and members of parliament asking them to stop intervening on behalf of constituents who have received traffic fines.

The carmakers' new advertising code is unlikely to have such a quick effect as the highly publicised roadside tribunals this summer in improving drivers' conduct, but some medical specialists believe it is crucial to a longer-term change in drivers' habits.

Manufacturers will in future not exploit speed in their publicity campaigns. In addition, they have agreed to discourage the feeling that the safety characteristics of their vehicles allow drivers to break elementary rules of driving prudence.

Yugoslavia awaits critical decisions on Kosovo crisis

By Judy Dempsey in Belgrade

WHILE CHANGES to the Yugoslav constitution to pave the way for a more open, market-oriented economy seem assured of smooth passage through the federal assembly this week, deep uncertainty remains about the explosive issue of amendments to the constitution of Serbia, the largest republic.

The Communist Party of the southern province of Kosovo will consider tomorrow whether to yield to Serbian demands for greater control of the province, in the knowledge that almost any decision could lead to further street protests.

The Serbian Communist party, led by Mr Slobodan Milosevic, wants greater authority to change its own constitution and secure increased economic and political sway over both Kosovo and Vojvodina province in the north.

Mr Milosevic alleges that Kosovo's Albanian majority is persecuting local Serbs.

The two autonomous provinces were created out of Serbia through the 1974 constitution as a means of containing the political domination of Serbia throughout the federation.

The federal leadership has already agreed to the Serbian amendments. So has Vojvodina, after considerable pressure from Mr Milosevic and his nationalist Serbian supporters.

However, in Kosovo, Mr Milosevic faces a different and potentially explosive situation.

Despite agreement to the amendments by a constitutional commission of the Kosovo Assembly, the Kosovo party itself, under pressure from ethnic Albanian demonstrators to oppose the changes, is now deeply split.

One faction, led by Mr Husmedin Azemi (party leader of Pristina, the Kosovo capital, and a highly unpopular figure among ethnic Albanians who favour continued autonomy) and by Remzi Koljgeci, the acting Kosovo party chief, is prepared to go along with the changes.

But Mr Azim Vlasi, a former party leader who was forced to resign from the politburo last week, and Mr Ekrem Arifi, who is also dropped from the politburo largely through Serbian pressure, are backing the ethnic Albanians demand for continued autonomy.

A moderate wing of the Kosovo party, led by Mrs Kacusa Jasari, who was ousted as party leader last week, is fast losing support, even though thousands of ethnic Albanians have called for her and Mr Vlasi's reinstatement.

This decision, as well as the amendments to the Serbian constitution, will be thrashed out tomorrow.

But many observers believe the pro-Serbian faction will emerge triumphant, the amendments will be passed and the resignations of Mr Vlasi and Ms Jasari will be confirmed.

If this is the case, the Kosovo party faces a potentially huge backlash from among increasingly angry, young ethnic Albanians who seem determined to retain the 1974 constitution under which it enjoys political autonomy.

And in that event, the federal leadership may well consider imposing a curfew or extraordinary measures throughout the province.

A policeman's lot is such a silly one

By Laura Raun in Amsterdam

DUTCH police unions have evolved a novel negotiating strategy: instead of pressing their pay claim through strikes and demonstrations they have opted to carry a campaign of silliness.

In one tactic for attracting public attention the police simply deflate passersby with shrill dress and off-key music by a group revelling in the name of Amazing Syrup Waffles.

Other highlights of their campaign were a raid on a television talk show and parading around in a police wagon wrapped in black plastic.

These ludicrous acts were aimed at evoking public sympathy. And the three-week campaign worked. The police unions have just won Fl 103m more money, and no to job cuts and a promise of no forced transfers. Dutch labour relations are rarely marked by head-on, bitter confrontation. When the country's civil servants uncharacteristically stopped work en masse in 1983 they angered citizens and failed to achieve most of their demands. Labour unrest among police is spreading internationally. Rising crime, more paperwork and economic austerity have driven Belgian police to abandon abstract ideology and strike for tangibles – warmer uniforms and longer meal breaks.

Dutch police claim their pay has not been raised in seven years because of spending curbs imposed by the centre-right government. Morale is suffering and recruitment is difficult, they complain. They have now been promised a new evaluation of job functions in light of the growing complexity and scope of crime, exacerbated by rising numbers of foreigners, among other factors. The administration of Prime Minister Ruud Lubbers is attempting a deflicate manoeuvre – to increase law enforcement efficiency while controlling costs. Public sentiment is swinging toward a harder line on crime with pleas for more police on the streets, more jail cells and stiffer sentences. Petty crimes such as purse snatching and car theft have reached epidemic proportions in cities such as Amsterdam, where drug addiction fuels the need for quick cash. The Netherlands has relatively more crimes against property than other European countries.

French warning on disarmament

By Ian Davidson in Paris

MR Jean-Pierre Chevènement, the French defence minister, yesterday warned against the de-nuclearisation of Europe, and suggested that the French and British nuclear systems might one day form the embryo of a European deterrent force.

He told an international seminar at the French Institute of Advanced Defence Studies that the Soviet defence effort had not slowed down, despite the impact of Mr Gorbachev.

He did not believe that Mr Gorbachev's intentions were aggressive, but he said that if the Soviet Union really wished to be reassuring, it would change the deployment of its forces stationed in the heart of Europe from an offensive posture to a defensive one.

The defence minister said that the de-nuclearisation of Europe would give the Soviet Union a major strategic advantage over what would be a "conglomerate of shopkeeping nations". It was neither normal nor healthy that the Europeans should continue, for all eternity, to entrust their defence to the United States.

For this reason, he said, France did not intend to give up its nuclear deterrent capability, and it was prepared to go further. "The French nuclear force could, one day, constitute, with the British nuclear force, the embryo of a European deterrence," he said.

Mr Chevènement also called for the examination of measures to create a European arms industry, including the introduction of the principle of "Community preference", and he announced that studies were under way on the case for taxing imports of armaments from outside the Community.

He said that the creation of a European arms industry would require the harmonisation of Europe's military requirements, the pooling of research efforts, and the definition of industrial strategies going beyond the narrow framework of national markets.

Iran asks Turk envoys to leave

By Jim Bodgener in Ankara

IRAN has asked two Turkish diplomats to leave the country, a Turkish foreign ministry spokesman confirmed yesterday.

The request was reportedly made in retaliation for the ejection of two Iranian diplomats from Turkey last month following a curious imbroglio when they were discovered attempting to smuggle an Iranian engineer back to Iran.

The Turkish foreign ministry spokesman declined to comment further on Tehran's action. One of the diplomats comes from the Turkish embassy in Tehran, and the other from a consulate in the town of Urumiye in north-west Iran.

The Iranian engineer reputedly belonged to the Mujahideen-e Khalq resistance movement opposed to the Iranian regime.

Brussels urged to extend air reforms to 10 non-EC states

By Tim Dickson in Brussels

THE Association of European Airlines, which represents the major carriers in 21 countries, yesterday called for the European Community's recent package of air transport reforms to be extended to 10 non-EC states.

Pressure for the initiative is understood to have come largely from non-Community companies in the Association like Swissair, Finnair and Austrian Airlines, anxious to take advantage of the growing market opened up by last December's EC measures covering cheap fares, access for new airlines, and minimum competition requirements.

Mr Karl-Heinz Neumeister, Secretary-General of the AEA, said 65 per cent of member airlines' business came from routes inside the EC, 30 per cent from routes between EC and non-EC destinations, and only 5 per cent from totally non-Community routes.

Mr Peter Sutherland, the outgoing Competition Commissioner, said "there is now a good case for the negotiation of air service agreements between the Community and other nations that would substitute for existing bilateral air service agreements."

The AEA, meanwhile, wants member states to give Brussels the necessary mandate to discuss a multilateral agreement with the 10 non-EC countries which are grouped with the 12 in the European Civil Aviation Conference. This would reflect "the principles of non-discrimination and reciprocity".

● Galileo, the global computer reservations system which has been formed by a consortium of European airlines, has signed a major agreement under which Ansett Transport Industries and Australian Airlines will take over the marketing rights to the Galileo system in Australia, writes Michael Donne, Aerospace Correspondent.

The two Australian companies have set up a joint organisation in Sydney – Southern Cross Distribution Systems – to market the Galileo CRS to Australian travel agents.

The decision is seen as a blow to Qantas, the Australian flag airline, which had earlier set up a rival computer reservations system in conjunction with Japan Air Lines.

Start treaty 'can be reached in a year'

By Robert Mauthner, Diplomatic Correspondent

THE US and the Soviet Union have made good progress towards the conclusion of a strategic arms reduction treaty (Start), which could be reached within a year, Major-General William Burns, Director of the US Arms Control and Disarmament Agency, said in London yesterday.

However, General Burns conceded that there were still important areas of disagreement. These areas, clearly defined in a draft text agreed by the US and Soviet negotiators in Geneva, included notably the problem of whether mobile land-based missiles should be permitted, how to deal with sea-launched cruise missiles (SLCM), and counting rules for air-launched cruise missiles (ALCM).

Most of the obstacles related to verification. The US favoured total elimination of mobile missiles, but would accept their limitation if a credible verification scheme could be evolved. So far, this had not been possible either for these weapons or for sea-launched cruise missiles.

The fundamental problem of the development and deployment of space-based nuclear weapons, known as President Reagan's strategic defence initiative (SDI), had also not been resolved, though General Burns was encouraged by the fact that both sides had agreed to a non-withdrawal period from the 1972 Anti-ballistic Missile Treaty (ABM). Nor had Moscow yet given an acceptable response to Washington's complaint that the Krasnoyarsk radar station in central Siberia breached the ABM treaty. The Soviet proposal to turn it into an international scientific centre did not answer the basic US objection to the maintenance of its radar capability.

General Burns, who said he could not speak for the incoming US Administration, nevertheless said he was convinced that President-elect George Bush would not drop SDI.

Many hurdles confront single market for capital in Europe

By Lynton McLain

FT CONFERENCE

Europe 1992 and beyond

MANY regulatory and other issues need to be resolved before the single market for goods and services is fully matched by a single market for capital and companies, Sir David Scholey, the chairman of S G Warburg, the UK merchant bank, said yesterday.

"The European Community consists and will continue to consist for these purposes at least of 12 distinctive member states each with its own legal, regulatory, fiscal and accounting rules, not to mention culture and language, with which would-be acquirers or partners must become familiar," he told the second day of the FT conference on "Europe 1992 and Beyond: Strategies for European Business."

Each member state was at a different stage of development on the internal regulation of mergers and takeovers, the debt and liquidity of its stock markets, "as well as in cultural attitudes to the concept of a free market in the control of companies," he said. For example, competitive takeovers have long been a fact of commercial life in the UK but not in the Netherlands. "Different techniques will need to be applied in different countries, in the context of a single Europe, for some time to come."

Regulation was not itself necessarily a barrier to takeover activity, but it was important that the rules and regulations in a Community country should be compatible with those of other members.

"Regulatory authorities in different states must act to remove these anomalies if a genuine free market in companies is to become a reality. But we should view with caution any efforts at Community level to establish a supra-national takeover authority."

At worst such a body would expose proposed transactions to major additional time-consuming procedures and disruptive uncertainty.

Sir David said minimum requirements to protect shareholders could be developed without Community-wide imposed rules.

It was just as important to remember that it would be counter-productive if a protective fence were to be erected around corporate Europe even for an interim period to allow restructuring to take place from within.

For European management to be encouraged to compete with its US, Japanese and other counterparts and to retain or attain the ability to expand into their markets, it must be subject to the discipline of possible takeover from without, he said.

Mr Francis Maude, MP, the Parliamentary Under-Secretary of State for Corporate Affairs in the UK, said he had raised with the EC's internal market council last Friday the issue of the "frankly indefensible barriers to takeovers deployed in some other member states". He had asked for urgent work to be done to identify how these barriers were to be tackled.

But, because barriers to takeovers were often embedded deeply in corporate culture, they would not be removed easily by EC legislation.

He said Britain had the most open capital market in the Community. This was not a handicap and did not open the UK to predators from overseas. The threat of takeover provided the sharpest incentive to keep a company competitive.

The capital markets in the Netherlands and Germany remained resistant to contested takeovers, but even there, a debate was beginning to develop.

Mr Samuel Brittan, principal economic commentator of the Financial Times, said Europe would not be a single market while the present currency uncertainties existed.

The goals of current endeavour could be summarised as economic and monetary union, a European currency and a European central bank.

"These cannot happen by 1992, but at least they can be an aim," he said.

He told delegates that the first task was to strengthen the European monetary system, while thinking of transforming the EMS into a genuine currency area, preferably with the British as members. He urged the UK to "line up with the German Bundesbank, for the ideal common currency would be the D-Mark, and the ideal European central bank would be the Bundesbank."

He forecast that the institutions of a central bank and a currency would come, "but as a crowning achievement".

The EC should not make the fatal mistake of holding up progress until the British agree. Mr Brittan did not think the present European currency unit, the Ecu, was the germ of a European currency.

The Japanese Ambassador to London, Mr Kazuo Chiba, told the conference he was critical of the principle of trade reciprocity between the EC and other trading nations. He said it was all right if it meant equality of opportunity but he said it was a very tricky idea.

"The best thing about 1992 would be that it would make Europe economically strong." This would also happen because of rapid changes in Japan which was moving from being an export economy to being an import economy. Japan had a slogan "Export or die", but this could now mean that if Japan continued to export too much, it would die.

Mr Percy Barnevik, the president and chief operating officer of ABB Asea Brown Boveri, predicted that trade barriers surrounding Japan, the EC and North America would not become smaller. "In some cases they may even get bigger, at least for the next few years then we may see a gradual decline."

He said that a sort of 1992 was happening already in the Far East. The Pacific rim area had a growth rate far exceeding any other region and was accelerating. "While we talk about different ways of working less, these people in the Pacific rim are working harder and are gradually getting better technology."

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address changes to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Østergade 44, Copenhagen, DENMARK

WORLD TRADE NEWS

EC seeks way to free world trade in textiles

By William Dawkins in Brussels

THE EUROPEAN Commission said yesterday it would like to return the highly protected world textiles industry to the normal rules of international trade, but only if those rules are enforced more tightly than at present.

It tabled a strategy paper at a meeting of EC Foreign Ministers, calling for a clear link between the gradual return of textiles and clothing to the free trade rules of the General Agreement on Tariffs and Trade, and the tougher enforcement of Gatt rules against unfair trade barriers and state aid for the industry.

But textile lobbyists said the document promises little immediate help to the troubled Community industry, which continues to see its share of a feebly growing European market being eroded by Third World exports.

The world's 45 main textile producing countries currently organise their trade under the Multi-Fibre Arrangement (MFA), designed to allow Western Governments to control import growth from low cost Third World producers.

Yesterday's paper aims to clarify the EC's textiles policy for the current Uruguay round of trade talks and for the forthcoming renewal of the MFA, due to expire in 1991.

The Community first signalled its general readiness to speed up talks on textiles trade liberalisation last March. The paper also ties liberalisation in textiles to progress in the current Gatt round on other issues.

The paper also comes in response to the protests raised by the Lisbon Government earlier this year after the Commission concluded a duty free textiles accord with Turkey, one of Portugal's main textiles competitors.

Its underlying theme is that the EC would put its name to dismantling the MFA only if Community producers are granted better access to protected markets such as the Far East, Turkey, southern Asia and Latin America.

The EC textiles and clothing market has grown by a mere 15 per cent over the the past 10 years, while imports from less developed countries have risen from 33 per cent of EC consumption in 1976 to 47 per cent in 1987, says the paper.

Japanese building trade faces US inquiry

THE US Trade Representative, Mr Clayton Yeutter, has announced an investigation into the way Japan runs its building trades to see if it includes unfair practices that hurt or threaten American industry, AP reports.

In announcing the investigation this week, Mr Yeutter said it was required by the Trade Act that President Ronald Reagan signed into law in August. The investigation will cover Japanese acts, policies and practices that may be barriers to US architectural, engineering and construction services, he said. The US will consult Tokyo and seek advice from business committees and the public.

A finding of unfair practices could lead to US retaliation. Last year Japan opened construction on the huge Kansai International Airport to foreign bidders, after a long row on access for US companies.

The announcement of the investigation came as Mr George Bush, the President-elect, was advised by the General Accounting Office to make vigorous use of the new powers that Congress has given the president to get satisfaction from other countries in trade disputes.

Japan anticipates a hot seat at Gatt

Ian Rodger reports on tensions building before the Montreal negotiations begin

JAPAN could be in the hot seat when the Uruguay Round trade talks get under way in Montreal early next month.

It is already on notice from tha US to help advance the touchy agriculture issue and it is in the forefront of demands by developing countries for better terms of trade for tropical products.

In tha past, the Japanese have usually been able to get through international negotiations by keeping their heads down, but now the country is an economic superpower that is no longer possible.

Japanese officials recognise their new status and responsibilities and appear prepared to make a big effort to contribute to the progress not only of specific issues such as agriculture, but also to the overall success of the mid-term review of the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt).

That said, they feel that the circumstances for the review are not particularly auspicious. From the Japanese viewpoint, the main problem is that neither the European Community nor the US is eager to make major decisions. Tha US Administration is in transition, so its negotiators are unlikely to be in a position to be flexible, Japanese officials say. Similarly, the EC may not want to make commitments in such areas as investment controls and services which might reduce its options for setting regulations for the single internal market after 1992.

The Japanese, in common with other analysts, tend to despair over the length of the agenda for the mid-term review. "There are simply too many issues," one Ministry of International Trade and Industry official said last week.

Although this is supposed to be a halfway review of a four-year process, Japanese officials opine that negotiations are only about a quarter completed and it is the easiest quarter. "Negotiations have progressed to a level where there are clear-cut differences," a foreign ministry official said.

Despite these negative factors, the Japanese feel it is vital that substantial progress be made in Montreal.

Otherwise, they believe, the new US Administration may become disenchanted with the multilateral trading aystem and tend to rely on domestic trade legislation and bilateral negotiations to achieve their trade objectives. Japanese officials say they are trying hard to play the role of constructive intermediaries in most of the sector negotiations.

They acknowledge that, among the leading developing countries, they are virtually alone in having some room for manoeuvre.

However, all attempts at playing a leadership role disappear when the agricultnra issue emerges. In this area, the Japanese are hoping they can revert to traditional behaviour and tiptoe through the mid-term review without heing noticed. That is unlikely in the wake of the decision last month by Mr Clayton Yeutter, the US Trade Representative, to reject a petition by the US Rice Millers Association to open the Japanese rice market to imports. Mr Yeutter made the decision conditional on Japan contributing to the progress of agricultural negotiations at Montreal.

The Japanese position on rice has shifted subtly in the past year from a total refusal to discuss liberalisation to a willingness to do so, provided that other countries also talk about their "hard core" protected farm products.

The Japanese also would like the notions of food security and the social significance of agricultural activity to be taken into account in any negotiation on hard-core products.

Within that context, they are willing to negotiate reductions in government support programmes, a path on which the Japanese Government has already embarked. However, they are totally unwilling, for now, to talk about opening the rice market to imports. "We cannot open the rice market at this point, even by a small percentage," a foreign ministry official said.

The Japanese point out that the US, with the support of Canada, Australia and Argentina, is at loggerheads with the EC on the procedure for negotiating on agriculture. The US is demanding that other countries agree to the elimination of all agricultural subsidies within a fixed period and the EC is refusing to discuss a long-term objective until the US withdraws its demand.

The Japanese say they have already made clear their willingness to agree on interim experimental measures to reduce governmeot support levels, but they dread being asked to open the rice market.

Their other main concern is the negotiation on tariff reductions on imports of tropical products. This is one of the sector negotiations that is scheduled for completion at Montreal and so the atmosphere in the talks is becoming tense.

Japan is under particular pressure from its south-east Asian neighbours, with most of whom it has big trade sorpluses, to open its markets. It will be difficult to refuse.

European Community member states yesterday strongly endorsed the call their trade negotiators will make in Montreal next month for a "global" Gatt trade agreement from which no trading bloc or country would be able to draw unilateral advantage, David Buchan reports from Brussels.

EC foreign and trade ministers backed a statement of aims by Mr Willy De Clercq, the external relations commissioner, that the Montreal mid-term review of the Gatt multilateral trade talks should focus on four broad areas. These were a strengthening of Gatt trade disputes machinery; an extension of Gatt rules to cover services and intellectual property with due recognition of developing countries' special concerns; better treatment for Third World exports; and agriculture.

The thrust of an EC Council communiqué was that few concrete results could be expected, or indeed were desirable, from Montreal which was only a half-way stage in the four-year marathon of the Uruguay Round talks, and that no attempt should be made to water down the original 1986 Punta del Este mandate for a global trade accord by 1990.

Anakara narrows field for air defence contract

By Jim Bodgener in Ankara

THREE companies out of six bidding for a contract valued at between $1bn and $2bn for local manufacture of low-level air defence systems in Turkey have been eliminated on technical considerations, Mr Erdeam, head of the country's Defence Industry Development Administration (DIDA), said yesterday.

The three to go through to the next round of bidding are Oerlikon of Switzerland, Euromissile, a Franco-German joint venture, and Thomson CSF of France. British Aerospace is among three other rejected bidders.

The contract forms part of Turkey's drive to found a domestic defence manufacturing capability. DIDA is considering proposals for six large projects - the most advanced being a $1bn contract signed with the US FMC Corporation and the local Nurol in May for tha local manufacture of armoured personnel carriers.

The three companies bidding for the low-level air defence system will be asked to submit financial offers soon. They are likely to include offset terms.

Oerlikon is offering its Adats system, Euromissile the Rolan and Thomson CSF the Crotale. The most expensive of the three was Adats, but it was also the most compact and was a good system, said Mr Erdem.

Brazil lifts ban on 1,250 items

BRAZIL'S trade liberalisation strategy has edged a further step forward with the lifting of an import ban on 1,250 products ranging from foodstuffs to chemicals, reports Ivo Dawnay from Rio de Janeiro.

But the slow pace of tha so-called Industrial Policy, announced with a fanfare last April, is continuing to draw criticism.

A similar number of items was taken off the restricted list in September, but Cacex, the state trade agency based at the Banco do Brasil, has made clear that its original plan to "liberate" all 5,000 prohibited products by the end of this year has been put back by 12 months.

Some sections of Brazilian business are anxious to speed the freeing-up of imports, but others are highly resistant to moves that will raise competition in local markets.

Earlier this month, foreign car manufacturers based in Brazil - Ford, VW, GM and Fiat - successfully lobbied to prevent tha unrestricted import of models built abroad in the most recent public demonstration of the difficulties the government faces.

Brazil's industrial policy was presented by President Jose Sarney as a sea-change in the nation's davalopment strategy. It aimed to discard the longstanding import substitution model where foreign products were systematically replaced by locally-made substitutes in favour of "competitiva integration" with the world economy.

France to explore sharing fighter costs in UK talks

By David White, Defence Correspondent

FRANCE WILL explore ways of sharing development costs for its costly fighter programme at an Anglo-French meeting of government officials and industry representatives due to take place in London today.

Proposed links between the £22bn European Fighter Aircraft, being developed by Britain, West Germany, Italy and Spain, and France's go-it-alone rival, the Rafale, are expected to provide a focus for the two-day meeting, which is devoted to co-operation in air force equipment.

The meeting is the third of a series on arms co-operation between the two countries. The first, in September last year, dealt with land systems, and the second, in March, with sea systems.

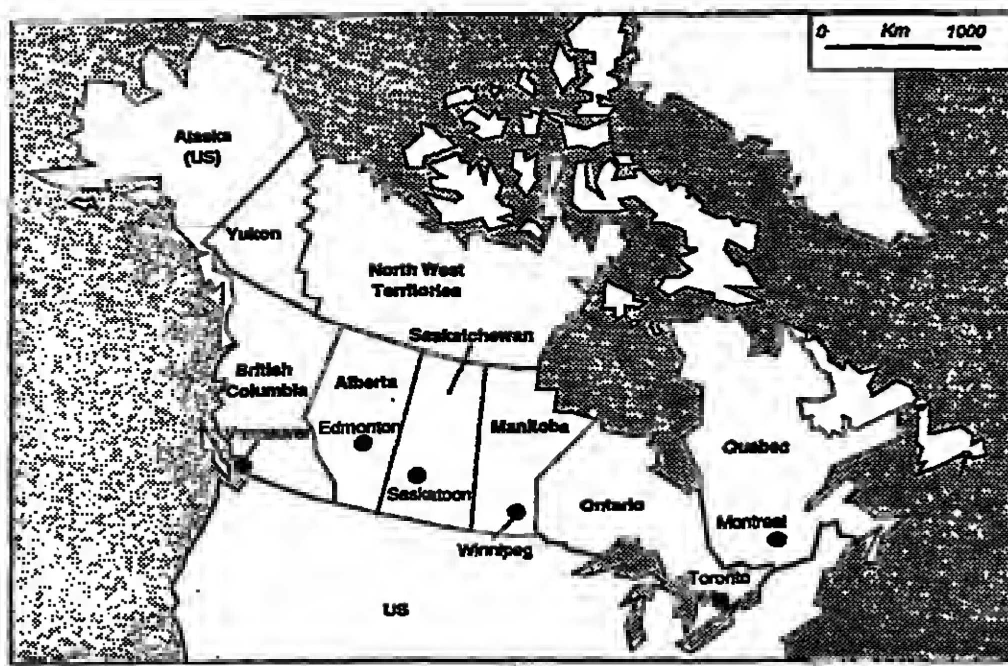
The two governments have meanwhile pioneered an arrangement to enable either country's manufacturers to bid for contracts in the other.

This system, based on published contract details of bidding opportunities, is scheduled to be extended throughout the European members of Nato.

THE CANADIAN ELECTION

Quebec rallies to Mulroney's call

David Owen looks at how Canada's Prime Minister came back from possible defeat



	Conservatives	Liberals	New Democratic Party
1984	211	40	30
1988	170	82	43

Total seats : 295 (282 in 1984)

Brian Mulroney

John Turner

THE result was in doubt until the last. But Prime Minister Brian Mulroney ultimately emerged from one of the most volatile and divisive election campaigns in Canadian history with his all-important majority intact.

In doing so, he received a clear mandate to continue to pursue his agenda for Canada for a second five-year term. This was despite the fact that a majority of his fellow-countrymen apparently oppose the free trade agreement with the US which was the dominant campaign theme.

Various factors underpinned Mr Mulroney's victory. None more so than the well-conceived change in Conservative party strategy in response to the surprising mid-campaign revival of Mr John Turner's Liberals.

Mr Turner's comeback in the wake of his stronger-than-expected performance in the televised leaders' debates had the effect of forcing the Tories out of their collective shell.

Mr Mulroney - supported by trusted lieutenants like Mr Michael Wilson, his straight-laced but inherently trustworthy finance minister, and Mr John Crosbie, the belligerent international *trade minister* - first lambasted Mr Turner and the New Democratic Party leader Ed Broadbent, for their assertions that the trade deal jeopardised the country's welfare and regional development programmes.

He then sought to broaden the issue at the forefront of the electorate's mind from free trade per se to leadership in general and the prosperity which Canadians have enjoyed over the past four years.

The strategy worked. By the end of the long 50-day campaign, Mr Turner's personal crusade against a single (albeit critical) issue had begun to pall.

The advertising campaigns undoubtedly played a big part in convincing many Canadians to back an agreement which posits still greater economic integration between their country and its immensely powerful southern neighbour.

This was nowhere more the case than in populous and influential Ontario, where the Tories surprisingly captured five more seats than their Liberal opponents. Particularly unexpected were the Conservative wins in 18 out of 33 metropolitan Toronto constituencies. *This was only one seat* fewer than the party won in the region in 1984 when 29 seats were at stake.

The Prime Minister can also be grateful for the split in the anti-free trade vote, which enabled his party to secure a mandate to implement the trade deal with the support of only 43 per cent of the electorate.

In all, 52 per cent of voters implicitly rejected the deal by supporting either the Liberals or the NDP. The difference which a unified anti-free trade vote might have made can be gauged by results in British Columbia. There, a split in the pro-free trade vote between the Tories and two minor parties enabled the NDP to more than double their haul of seats, with fractionally more support than they garnered four years ago.

The NDP, however, made a critical misjudgment in devoting such a high proportion of their comparatively meagre resources to eastern Canada in the belief that a nationwide breakthrough was at hand. The traditionally Prairie-based party once again finished without a single elected representative east of Ontario.

Most of all, perhaps, Mr Mulroney owes a debt of gratitude to his fellow-Quebecers, who rallied to his cause in unprecedented numbers after appearing to harbour doubts in mid-campaign.

The Conservatives ultimately won five more seats in the country's only predominantly French-speaking province than they had even in their 1984 landslide. The results testify to the wisdom of the Prime Minister's decision to spend the bulk of the last week of the campaign in Quebec.

The Quebec results compensated for the party's lacklustre showing in Atlantic Canada, British Columbia and the Territories. In the Territories, the Tories were left bereft of MPs, having made a clean sweep of the three seats four years ago.

Enough to gladden Adam Smith

By **Andrew Marshall** in Toronto

IT would have warmed Adam Smith's heart: 50 young people, jumping up and down, chanting "Free trade! Free trade!" The Progressive Conservatives of Toronto were *celebrating the victory of their* party and the US-Canada free trade agreement.

Canada had waited nervously for the polls to close on Monday, with nails bitten to the quick and dry throats. Perhaps this had less to do with the cliff-hanging election than the fact that it is illegal to buy alcohol during voting. In the Hilton ballroom, the Tories were making up for lost time.

Patriotism has been a contentious issue in the election, with the Liberals contending that Prime Minister Brian Mulroney was selling off the country for a mess of pottage. But the Conservatives were quick to counter that accusation: "Toronto Tories – proud Canadians" their badges read. After a divisive campaign, all talk was of national unity.

Patriotism and pragmatism came together, for the win. One Vancouver businessman proclaimed himself "right tickled" by the Conservative victory. "*Not everything* in the trade deal is good, but it gets us into universal markets, and out of regional ones".

"Four more years!" chanted Mr Mulroney's supporters, *echoing President Reagan's in* 1984. This was only one of a number of American touches, but there was much that was uniquely Canadian.

The beer was all local, and the multi-culturalism of the event had a Canadian taste too: speeches in French and English, Sikh turbans dotted around the room, and some Chinese and Japanese faces. "This party is open to everyone!" said one party leader.

Canadians spared bitter backdrop to Montreal talks

By **Peter Montagnon**, World Trade Editor

Canadian Elections

MR Brian Mulroney's election victory has spared Canada a singularly embarrassing experience - hosting next month's meeting of trade ministers in Montreal against the backdrop of bitter failure in its attempt to agree a wide-ranging free trade agreement with the US.

The agreement, reached in principle last year between the two countries and widely billed as the most comprehensive such accord between two countries anywhere, will now almost certainly come into force at the start of 1989. It has already been ratified by the US Congress, and the new Canadian parliament should quickly follow suit.

Yet, while the news has been greeted with elation by Canadian financial markets, the broader implications for the Montreal meeting and the whole trading system remain clouded. In the last year, Canadians have been preoccupied with agreement almost to the point of obsession, but the rest of the world has learned virtually to ignore an accord originally portrayed as a blueprint for the entire Uruguay Round of multilateral trade negotiations.

It is not difficult to see why the trade agreement has assumed such importance for Canada. Canada and the US have the largest bilateral trade of any two countries anywhere, amounting to some $150bn a year. Some 80 per cent of Canadian exports go to the US.

Under the deal, tariffs on all this will be phased out within 10 years. A new system of binational panels will be introduced to resolve trade disputes in a way that should be less time consuming. Trade flows between the two countries should increase and frictions diminish.

Yet the deal shows up limitations to what can be agreed between even two close trading partners which may also point up areas where the Uruguay Round will prove difficult. Originally Canada had hoped the deal would give it exemption from action under US unfair trade legislation. It failed to win this, and instead the two countries have agreed to consult on new legislation and to work towards a new common approach to problems of dumping and subsidies which will come into effect within seven years.

The US could not agree to abandon its sovereign right to initiate dumping actions against Canada. The two countries found it impossible to draw a precise trade policy line between acceptable and unacceptable subsidies. Both these problems are recognised as acutely relevant to the broader trade scene and the Canadian/US experience suggests that room for manoeuvre within the Uruguay Round may also be limited.

Similarly, the US *failed fully* to prise open access for its investments to the Canadian market. Canada will still review investments involving assets of more than C$150m. It will also retain an independent energy policy, as well as protection for its media industries.

It will not benefit much from increased access to US government procurement and its financial firms will still be broadly bound by the Glass-Steagall Act which limits the scope of their activities in the US, even though no such restrictions apply to US firms north of the border.

In both countries yesterday the election result was portrayed as likely to have a positive effect on the Montreal meeting. Mr William Merkin, Deputy US Trade Representative, said: "The world's two biggest trading partners have shown they can reach an agreement in good faith. This should strengthen our hand in Montreal".

"Both countries will be able to go to Montreal and argue with a high degree of conviction that they do believe in free trade," *adds* Mr Thomas d'Aquino of the Canadian Business Council.

Yet international trade diplomats are aware that securing the trade agreement cuts both ways. The General Agreement on Tariffs and Trade mistrusts bilateral agreements. It is expected to review the arrangement early next new year, though it is ill-equipped to demand changes.

Both the US and Canada now have a bilateral fall-back position if the Uruguay Round fails to produce further liberalisation at the multilateral level. For the most part, however, trade diplomats believe that the main significance of the deal is the positive impact it should have on Canadian/US relations.

Victory makes way for fight on nuclear submarines

By **David White**, Defence Correspondent

THE VICTORY of Mr Brian Mulroney's Conservatives makes way for the re-opening of another battle. Britain and France are set to resume their competition for an arms deal without precedent, to provide Canada with nuclear-powered submarines.

The decision on a C$8bn (£3.6bn) programme for 10 or 12 British or French-designed submarines was put off until after the election. The Government managed to prevent the project from becoming a major electoral issue, partly thanks to the controversy over the US trade pact. Opinion polls have shown most Canadians expressing doubts about the purchase, which has been opposed by both the Liberals and the New Democrats.

The Conservatives have argued that nuclear submarines, with their prolonged underwater staying power, are the only means of ensuring the "three-ocean capability" outlined in last year's Canadian white paper on defence modernisation. The competition is between the Trafalgar class, built by the UK's Vickers Shipbuilding and Engineering (VSEL), and the Amethyste, a development of the Rubis class constructed at the French naval dockyard in Cherbourg.

About two-thirds of the work would be carried out by Canadian industry, which has not been involved in submarine production since the First World War.

Mr Paul Dick, Associate Canadian Defence Minister, hinted that a returned Mulroney government might re-examine the bids in February, almost a year after the decision was initially scheduled. This delay could change the odds in a race experts believe was turning in France's favour.

Apart from an arrangement by India to lease a submarine from the Soviet Pacific fleet, a deal would mark the first time any country has sold nuclear-propelled submarines to another. At the outset, the Canadians were considered almost certain to opt for the British vessel, but the balance is believed to have swung towards the Amethyste for its lower unit price and the promise of a deal with no strings attached.

The Trafalgar bid relies on US permission under two treaties, between the US and the UK, concerning propulsion technology and between the US and Canada concerning fuel supplies. The first, made in 1958 when Britain incorporated US know-how in its submarine programme, gives the US veto rights over transfer to third parties. Although the UK succeeded in settling this problem with the US Administration, US approval applies only to current technology. Further US permission would have to be sought to give Canada access to future know-how.

The other constraint is a 1959 US-Canadian agreement on nuclear controls. Washington is ready to amend this, but the negotiations underline the fact of dependence on the US. This has to be seen in the context of a programme which is largely a bid by Canada to assert *its own defence* sovereignty vis-à-vis the US – by taking responsibility for patrolling under the Arctic ice cap – and which has met strong opposition from within the US Navy.

The French have played this card with great skill. They have also made an offer to Canada to share in the development of a next generation of submarines after the initial order.

Some experts believe the French have still failed to prove that their submarine can fulfil the task for the Canadian Navy, and that the Trafalgar may now be able to re-assert its claim.

OTHER AMERICAN NEWS

Arafat says US has agreed to issue visa for address to UN

By **Tony Walker** in Cairo and **Lionel Barber** in Washington

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, said yesterday that the US had agreed to grant him a visa to address the United Nations General Assembly early next month.

In Washington, the State Department said it had yet to receive a visa application from Mr Arafat, but officials indicated that it would be looked upon favourably.

Mr Arafat said in Cairo that he had been told by Egyptian officials that a visa would be issued for him to travel to New York on December 6 and 7.

This would be the PLO leader's first visit to the US since he delivered his memorable "gun and olive branch" speech before the General Assembly in 1974.

Mr Arafat is anxious to promote before a world audience the PLO's more moderate political programme which was adopted at last week's meeting of the Palestine National Council in Algiers and which moved the organisation closer to accepting Israel's existence.

The Reagan administration, for its part, faces the delicate task of appearing flexible towards new initiatives in the Middle East in preparation for the Bush administration, while sticking to the long-standing US policy of rejecting a direct *dialogue with the PLO.*

US officials said they were braced for a propaganda barrage by Mr Arafat following the Algiers declaration of an independent Palestinian state last week.

But they said the Administration was likely to base a favourable decision on a visa application by Mr Arafat on Washington's 1947 headquarters agreement with the UN. This imposes certain obligations on the US to ensure that the UN remains an independent agency not subject to undue American influence.

Officials in Washington said that US room for diplomatic manoeuvre was limited because of the uncertainty surrounding the future composition of the Israeli government and the transition to the Bush administration, where Mr James Baker will succeed Mr George Shultz as Secretary of State.

Mr Bassam Abu Sharif, an adviser to Mr Arafat, briefing reporters in Cairo, predicted that the "new US administration will start to pave the way for the international conference [on the *Middle East*] in co-operation with other permanent members of the Security Council, in particular with the Soviet Union, and will start having contacts with the PLO."

Earlier yesterday, at a Palestinian gathering in Cairo, Mr Arafat criticised the US response to last week's Algiers resolutions. "Washington's position is confusing," he said.

"They want us to adopt only parts of the UN resolutions that favour Israel . . I say we are with international legitimacy. We recognise all UN resolutions. . . in our quest for peace."

Meanwhile, Israeli jets and helicopter gunships yesterday blasted Palestinian guerrilla positions near the southern Lebanese port city of Sidon. The attack was carried out against strongholds of Mr Arafat's mainstream Fatah faction on the south-western fringes of the Ein el-Hilweh camp.

The attack against the Fatah positions – Sidon is one of the few remaining areas in Lebanon where Mr Arafat retains strong influence – was seen as a signal of Israel's determination to counter the PLO's new diplomatic offensive. The raid was Israel's 24th on Lebanon this year.

Iran-Contra judge warns of threat to security

By **Lionel Barber**

THE judge in the Iran-Contra case, declaring that President Reagan has the power to stop the trial, has warned that court hearings will inevitably lead to the disclosure of high-level government secrets and subsequent damage to national security and foreign policy.

Judge Gerhard Gesell's warning appeared to be the clearest signal to date that the fraud indictment against the former White House aide Marine Lt Col Oliver North and others could founder on the grounds of national security.

This would be welcome news to President-elect George Bush who has no interest in seeing an embarrassing public trial – which could touch on his role in the Iran-Contra scandal – overshadow his first few months in the White House.

The scandal erupted in November 1986 when it was revealed that Col North had arranged the secret sale of weapons to Iran in an effort to secure the release of American hostages held inLebanon. Part of the profits from the sales were secretly siphoned off to the Contra rebels in Nicaragua.

President Reagan does have the option of granting a presidential pardon to Col North and other involved in the White House operation. But this use of executive anthority could prove controversial in the light of President Gerald Ford's pardon of President Richard Nixon in the Watergate scandal. National security concerns could provide the necessary "political cover" for Mr Reagan to intervene to head off the case.

Judge Gesell said in court last Monday that he had no power to censure sensitive avidence which would inevitably surface in a public trial involving many former and present government officials.

Bush 'ready to appoint Tower as Secretary of Defence'

By **Stewart Fleming** in Washington

Senator Tower: security expert

PRESIDENT-ELECT George Bush is reported to be preparing to appoint former US Senator John Tower as his Secretary of Defence. But formal announcement of the appointment may be delayed for a few days because of this week's Thanksgiving Day holiday.

Following front-page reports in the major US newspapers that Mr Tower would be his choice, Mr Bush was guarded yesterday when *addressing* reporters who questioned him on the Defence Department appointment: "No decision has been made, so if the stories say a decision has been made, it *hasn't been made*".

But Republicans close to the Bnsh transition taam suggested yesterday that they now expected Mr Tower to get the job.

A *former Chairman* of the Senate Armed Services Committee, Mr Tower, 63, is an expert on national security issues who believes that one of the top priorities for the next Defence Secretary is to rebuild public confidence in the Pentagon, following the procurement scandals which cast a cloud over Mr Caspar Weinberger's tenure during the first seven years of the Reagan Administration.

According to the New York Times, Mr Tower has agreed to appoint a strong manager from outside the Pentagon to be his number two.

A conservative who, in 1961, at the age of only 31, became the first Repnhlican to win state-wide office in Texas in almost a century, Mr Tower is seen as a strong supporter of the military bnt one who recognises that major cuts in spending plans will be needed in the years ahead, which will involve abandoning some proposed weapons systems.

Over the past few days, there have been reports that Mr Bush was having second thoughts abont the Tower appointment. Some inside the Bush camp have expressed concern that Mr Tower might be too close to both the defence industry and the Pentagon and therefore reluctant to be the tough manager which Mr Bush *knows he will need at the Pentagon.*

Mr Tower's long experience in the Senate has given him not only an intimate knowledge of the US military and Congress, bnt also a wide range of international contacts – a combination particularly valuable as the Bush Administration comes to terms with the need to develop a new military strategy and work with Congress and its allies to implement it in an era of budgetary restraint.

Peru awaits austerity plan

By **Veronica Baruffati** in Lima

THE PERUVIAN Prime Minister, Mr Armando Villanueva del Campo, said yesterday the country's new economic programme would be unveiled in a broadcast last night by Mr Abel Salinas, the Finance Minister.

The announcement followed a meeting on the programme between the Prime Minister and Mr Salinas with businessmen and union leaders.

When asked about the severity of the measures, Mr Villanueva replied balf tongue-in-cbeek that "we are strong cnough to bear the brunt of the plan".

Mr Valentin Pacho, the secretary general of the General Confederation of Peruvian Workers described the new programme as "discouraging".

Miners' talks end in stalemate

By **Veronica Baruffati**

A *MEETING* yesterday between Peruvian leaders of the National Federation of Miners and Metallurgical and Steel Workers and the Minister of Energy and Mines ended with no resolution in sight to the 37-day strike.

Mr Saul Cantoral, secretary general of the federation, accused the Government of closing all doors to a democratic negotiation of the conflict.

He said: "The Government is calling for harsher repression and wants to link us to acts of terrorism." He threatened that the strike would continue "with even more strength".

After leaving the Ministry of Energy, Mr Cantoral was taken by police for questioning to Dircote, the anti-terrorist police division. He was later released.

The two press spokesman for the miners' federation, Mr Lionel Ramirez and Mr Sixto Vilcas, have been arrested by Dircote and accused of possessing literature of the *Sendero Luminoso* guerrillas.

According to the federation, police planted the documents on the two men.

Several miners and their wives are on hunger strike in protest at the stalemate in the conflict.

A spokesman for the National Mining Society said that it wonld not negotiate with the federation, which it said it did not recognise as the true representative of the miners.

The judiciary must regulate collective bargaining agreements, he added.

Considering that the judiciary is still on strike and that important bndgetary laws must be discussed once it gets back to work, the spokesman predicted that the miners' strike could go on for another month.

The strike is beginning to establish a pattern in which a mine lifts the strike while a neighbouring mine simultaneously downs tools.

The Society gave the example of the Arcata mine which lifted tha strike this week, while the neighbouring Orcotampa mine came out on strike the same day.

The Society believes that miners are relaying the strike in some areas to ease economic pressures placed on the miners' families due to loss of income.

Alfonsín fails to make the front page

By **Gary Mead** in Buenos Aires

"LA REVISTA", one of many glossy papers in Argentina, has a deadline 10 days in advance of its weekly Monday release date. So when news of the death in Buenos Aires of Ms Christina Onassis, the multi-millionaire heiress, broke late on Saturday, the paper was left with a choice.

Should it go ahead and publish a rumour-mongering "exclusive" on Miss Onassis and her boyfriend, or cancel the issue altogether. One suspects the choice was made quickly. "What Future for Christina Onassis And Her Argentine Boyfriend?" is the front-page splash headline this week.

"La Revista" now gets two bites at the Onassis cherry. The others will no doubt publish their analyses nf her sad life later this week.

The Argentine press is at its happiest dealing with personal tragedies, particularly of the rich, famous and apparently seedy. Sunday's newspapers handled the incident in peculiar fashion. The left-wing "Pagina 12" selected the headline "Christina Onassis Chose To Die in Buenos Aires", while the Catholic-oriented "La Nación" suggested "Christina Onassis Died Yesterday In Our Country".

The event utterly overshadows President Raúl Alfonsín's trip this week to Italy, where he has *signed accords confirming* trade deals worth $5bn to Argentina. He had the misfortune to depart the same day as news broke of Ms Onassis's death. "Clarin", which these *days* appears to favnur the opposition Peronists and is believed to have the world's biggest circulation, splashed Ms Onassis's death on the front page, while the President was relegated to page 10. By yesterday the President had managed to creep back on to the paper's front page, but the pictures were of Ms Onassis's last husband arriving in Buenos Aires, and of a lnttery ticket winner of almost $5m.

OVERSEAS NEWS

Pakistan head of state calls in Bhutto and rival

MISS BENAZIR BHUTTO, the Pakistan opposition leader, met President Ghulam Ishaq Khan yesterday for talks which could lead to her forming Pakistan's next government and becoming the Moslem world's first women prime minister, Reuter reports from Islamabad.

The 73-year-old acting head of state was due to meet Mr Nawaz Sharif, Miss Bhutto's rival, for talks later yesterday evening.

The separate meetings are taking place six days after Miss Bhutto's Pakistan People's Party achieved a strong showing but failed to reach an overall majority in the first party-based polls for 11 years.

Miss Bhutto entered the presidential palace at 7.05 pm local time to meet the President after flying to Islamabad from Karachi. There was no word of when Mr Sharif, a leader of the Islamic Democratic Alliance, would arrive.

Mr Wasim Sajjad, the Justice and Parliamentary Affairs Minister, said in an interview Mr Ishaq Khan would probably choose a prime minister within the next few days. He added that Miss Bhutto was a more likely choice because her party would be the largest in the 237-seat National Assembly (lower house).

The PPP won 92 parliamentary seats in elections last Wednesday, to 55 for the IDA. No party won the 109 seats needed for a majority.

Miss Bhutto said in an interview she hoped to expand US-Pakistani relations beyond the strategic interests on which she said they were based under President Mohammad Zia-ul-Haq, who was killed when his aircraft crashed on August 17.

"I think in the last decade the relationship was guided more by strategic interests," she said. "Many other areas of American concern . . . such as human rights were neglected," she said. "So I think a democratic government can better share even additional roles of interest than a dictatorial one."

On Afghanistan, she said: "It is important that the Soviets withdraw and keep to the timetable. . . No attempt should be made to aggravate the situation."

A number of newspaper commentators yesterday had urged Mr Ishaq Khan decide on a prime minister soon.

"There is a growing public impression that there has already been a delay in naming a prime minister and that this delay reflects back-door manoeuvring and palace intrigue," an editorial in the independent Moslem newspaper said.

Gen Mirza Aslam Beg, the Army chief, called at the weekend for consensus and a broad-based popular government. The views of the army, which has ruled for more than half of the country's 41 years of existence, are expected to be decisive.

US Jewry warns over Israeli Law of Return

By Andrew Whitley in Jerusalem

A TOP-LEVEL delegation of US Jewish leaders yesterday warned Mr Yitzhak Shamir, the caretaker prime minister, of the dangers to relations between Israel and the Diaspora inherent in any change of long-standing religious legislation.

The 5.5m-strong US Jewish community is up in arms over a proposed amendment to the country's Law of Return – which guarantees every Jew the right to emigrate to Israel – as part of a political deal over the formation of a new government.

Another change being demanded by small, ultra-orthodox parties would enhance the position of the rabbinical courts – freeing them from challenge in the secular legal system.

The orthodox Jewish movement's rabbis already control a wide swathe of civil matters in Israel: from the registration of births, deaths and marriages to the granting of divorces, along with the regulation of hotels, restaurants and places of entertainment, in accordance with religious law. Most US Jews belong to the more liberal Reform and Conservative movements.

In a related development, the on-and-off courtship of the Labour Alignment by Mr Shamir's Likud appeared yesterday to be over, following a reported decision by Labour to break off coalition negotiations. The state radio said the decision followed a meeting between Mr Shimon Peres and Mr Yitzhak Rabin, the party's two senior leaders.

At a press conference in Jerusalem yesterday, executive members of four powerful fund-raising bodies in the Diaspora – the Council of Jewish Federations, the United Jewish Appeal, the United Israel Appeal and the Jewish Agency – called for the "Who is a Jew?" issue to be removed from the political agenda. Speakers said they had been shocked at the lack of understanding in Israel of the depth of feelings abroad over the issue.

Saudi Arabia builds defence of the realm

Soviet presence in the Red Sea has prompted a security review, reports Robin Allen

While Saudi Arabia and other Gulf countries have been modifying their foreign policy priorities to take account of the Gulf war ceasefire, a similar process of change – albeit for quite different reasons – is under way in Saudi defence policy.

In the last three years, and particularly this year, Saudi Arabia has been increasing its military contacts with western Europe and diversifying its sources of defence supplies to include the Chinese, all at the expense of the US.

While public attention was understandably concentrated on the Gulf during the Iran-Iraq war, diplomatic and military analysts are now also focusing on the Red Sea, an area of direct concern to Saudi Arabia and Oman in the light of the Soviet presence in and around South Yemen.

The two phases of Saudi Arabia's Yamamah project agreement with the British Government – worth some £15bn ($27bn) in the long run, with a framework agreement signed in July and the most recent deal for the supply of six minehunters by Vosper Thornycroft concluded this month – have assured the Kingdom of an up-to-date air defence system to enhance what it already has.

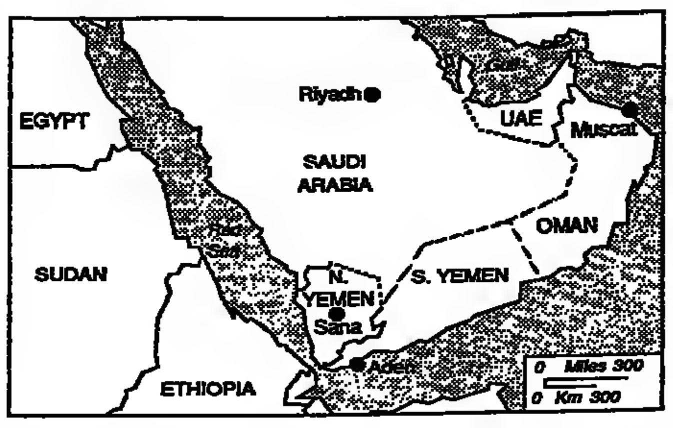
Saudi defence will eventually be equipped with a new generation of Tornado fighters, fighter-trainers, helicopters and minehunters, and new air bases.

Public reaction to the British deal was restrained in the US; it was less so, particularly in Congress, when Saudi Arabia acquired missiles from China in April.

That this should have happened at all has led Americans in Saudi Arabia to fear a general erosion of the US position.

They are also speculating whether their chances of winning the Saudi contract for a new battle tank – for which General Dynamics Abrams M-1A1 is a prime contender – may not also be in jeopardy.

Their fears can only be enhanced by the fresh sales pitch being mounted in Riyadh, Saudi capital, this week by Mr George Younger, British Defence Secretary.



Authoritative sources in the Kingdom say the purchase of Chinese intermediate-range missiles, to be operated by the Chinese themselves, was never intended as an anti-American gesture.

It is understood that the idea of buying Chinese missiles arose at a late stage in trade talks initiated by China through the Chinese and Saudi embassies in Washington.

Chinese officials apparently wanted to improve trade relations and offered "everything in their inventory excluding nuclear weapons", according to one highly-placed source in Saudi Arabia.

Hard on the heels of the missile deal, the Government in June awarded France a contract worth nearly £300m to provide helicopters equipped with Exocet missiles, and coastal patrol vessels.

Now six European countries may soon be bidding for a widely-expected Saudi submarine contract.

Submarines may not be suitable in the Gulf due to shallow water of less than 200 metres, the number of underwater oil installations, and wrecks from the Gulf war.

But Saudi Arabia also has to contend with security in the Red Sea.

Its 1,900-km Red Sea shoreline is six times as long as the Saudi Gulf coast, and unidentified mines were discovered there three years ago.

The Red Sea is at least 1,000 metres deep for virtually the full length of its central part.

In these waters, as Gulf-based military observers have pointed out, submarines and minehunters both have useful roles.

The Saudis maintain a naval base at Jeddah and another small one at Al Wajh, 250 km south of the Gulf of Aqaba.

But western defence observers agree the outlet into the Gulf of Aden through the Bab al Mandab strait is more of a potential bottleneck to commercial shipping than the Strait of Hormuz at the mouth of the Gulf on which so much attention has been focused in the last eight years.

There is a steady flow of military and commercial traffic, including tankers, to and from the Suez canal and Saudi Arabia's oil and petrochemical terminal at Yanbu, as well as Jeddah itself.

Egypt maintains an important military base at Ras Banias. The Red Sea is not a jugular vein for western oil supplies like the Strait of Hormuz, but it is a vital waterway nonetheless for the West and the region.

According to authoritative Gulf sources, the Soviet Union has been consolidating its position in southern Arabia and has been particularly active around the Bab al Mandab strait.

It is thought to have up to 5,000 military "advisers" in South Yemen, with a further 3,000 Cubans and numbers of East Germans who help South Yemen with its internal state security.

The Soviet Union has an air base at the old British Royal Air Force station at Khomaksar in Aden where it maintains fighters, transport and reconnaissance planes.

It is also understood to be building – if not already completed – a sizeable command complex, invulnerable to conventional attack, inside the Jebel Shamshan close to Aden.

As important as these land installations is the presence of the Soviet navy, which amounts to a stranglehold, on Perim Island at the centre of the 50 km-wide Bab al Mandab strait and on Socotra, off the Horn of Africa.

Both have been depopulated of Yemenis. On the southern side of the outlet is a Soviet client state, Ethiopia. The French maintain the nearest western military presence, in Djibouti.

While Western countries start running down their Gulf presence, the Soviet Union, as one authoritative Gulf analyst put it recently, "is clearly bent on staying."

Saudi Arabia and other Gulf countries – particularly Oman, which last month signed a symbolic co-operation agreement with South Yemen setting the seal on their reconciliation – have to take these realities into account, even while they may publicly be urging the departure of all foreign navies from the region.

Shekel devaluation ruled out

MR MOSHE NISSIM, Israel's Finance Minister, has firmly ruled out a devaluation of the shekel in the near future, Andrew Whitley writes from Jerusalem. His remarks come in response to a campaign by the Bank of Israel for an immediate readjustment against the US dollar of about 15 per cent.

Growing expectations of a devaluation have produced a run on the country's foreign currency reserves, expected this month to wipe $1bn off the end-of-October figure of about $5bn. But whether the Finance Minister's statement, made in a meeting with trade union chiefs, will be enough to calm the speculation remains uncertain.

If it had not been for the disbursement in October of this fiscal year's civilian aid from the US, of $1.2bn, official concern over the decline in the reserves would by now have been much greater.

Mr Haim Haberfeld, head of the Histadrut trade union department, told reporters on Monday that the Finance Minister and the labour federation saw eye to eye – for once – on the need to avoid a devaluation of the shekel at this time.

Vietnam 'has no troops in Laos'

VIETNAM has withdrawn all its troops from Laos because there is no longer a threat to the country's security, a Lao government minister said yesterday, Reuter reports from Vientiane. Mr Soubanh Srithirath, the deputy Foreign Minister, said in an interview: "There are no more Vietnamese troops in Laos."

Vietnam has maintained a troop presence in its western communist ally since the end of the Indochina war in 1975, but Laotian officials had said earlier this year the total of about 40,000 had been reduced by half.

"Because relations with Thailand and China have improved, that is why there is no threat to our security," Mr Soubanh said. Laos has long borders with China and Thailand. More than a decade of frosty relations with Peking eased this year when the two exchanged ambassadors in May.

Laos and Thailand fought a bitter and costly battle over a disputed border area last winter but relations have greatly improved since then, and Gen Chatichai Choonhavan, the Thai Prime Minister, is due to visit Vientiane this week.

The stubborn resistance by Lao troops against Thai efforts to dislodge them from disputed positions in the border clash showed Vientiane could stand up for itself, Mr Soubanh said.

Vietnam has already promised to pull all its troops out of Kampuchea, its other western neighbour, by the first quarter of 1990, in an effort to secure a political settlement to the 10-year conflict there.

10% Thai growth rate

THAILAND'S economy, boosted by improvements in the agricultural and industrial sectors, is expected to achieve a record 10 per cent growth rate this year, government projections showed yesterday, AP-DJ reports from Bangkok.

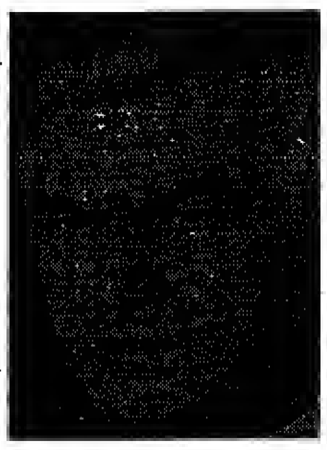
A sustained investment boom and record tourist arrivals also have fueled the strong economic performance for 1988, according to the National Economic and Social Development Board.

The agricultural sector which includes fishing is expected to grow 4.7 per cent over last year, while outputs from the manufacturing and services sectors are expected to increase 11.8 per cent and 10.9 per cent respectively from 1987.

Thailand posted a 7.1 per cent growth in gross national product last year. There have been predictions that the country will join the ranks of the newly industrialised nations in the 1990s.

Hawke agrees joint defence accord with US

By Chris Sherwell in Sydney



Hawke: long-term access

AUSTRALIA, in a move underscoring its commitment to the Western alliance, has agreed important new terms with the US for the continued presence on its soil of two controversial joint defence facilities.

The ten-year agreement was announced in parliament yesterday by Mr Bob Hawke, the Prime Minister, and covers secretive establishments – often described as "US bases" – at Pine Gap, near Alice Springs in the centre of the country, and at Nurrungar, near Woomera in South Australia.

The deal changes the arrangements under which Australia and the US co-operate in running the facilities. Its main features are a significant expansion in Australian involvement in their operation and management, and an extension to the notice of termination from one to three years.

In his statement Mr Hawke revealed the most comprehensive official detail yet on the precise roles of the two facilities, which have been in operation since the 1960s and are a regular target for peace protesters who say the facilities are nuclear targets. But the information was still limited.

"Nurrungar is a ground station used for controlling satellites in the United States Defence Support Programme (DSP)," Mr Hawke said.

"The DSP satellites provide ballistic missile early warning and other information related to missile launches, surveillance and the detonation of nuclear weapons."

Pine Gap, he said, "is a satellite ground station whose function is to collect intelligence data which supports the national security of both Australia and the US".

This intelligence "contributes importantly to the verification of arms control and disarmament agreements".

Mr Hawke was adamant that the Government would not disclose details of their capabilities in intelligence collection and attack warning.

But he insisted that, without the bases, "the INF (Intermediate Nuclear Forces) treaty could not have been signed and the Start (Strategic Arms Reduction Talks) process would not have got under way".

Under the new agreement, which replaces one which recently expired, Australian personnel are to take over some of the functions previously carried out by US employees. At Pine Gap, where in the 1970s and early 1980s only a handful of Australian government personnel were directly involved in the facility's central work, the proportion of Australian staff is to rise from less than 10 per cent to about 30 per cent over the next two or three years.

A senior Australian defence official will assume a newly created position of deputy chief of the facility, advising the US chief and sharing responsibility with him. He will be the officer in charge of the prohibited area in which Pine Gap is located.

At Nurrungar, where Australians constitute some 40 per cent of the staff in key operational areas, they will have a similar management role, with a senior Australian officer as deputy commander. He too will share responsibility with the commander for management of the station and its security.

The personnel integration will be such that the Australian government "can be assured of having full knowledge of all aspects of the operation of the facility and reinforces our confidence that our interests and sovereignty are respected at all times," Mr Hawke declared.

The notice of termination, he added, was increased to three years because of the facilities' importance to global peace and because of the "specific benefits to Australia of long-term access to their capabilities".

Responding to Mr Hawke's announcement, Mr John Howard, leader of the opposition coalition, welcomed the Government's endorsement of the facilities and the new ten-year agreement.

The facilities meant more to Australia than anyone else, he said, and the coalition's support for them was "unwavering" and "completely undiminished".

In a separate explanatory statement, Mr Kim Beazley, the Defence Minister, said the importance of maintaining official silence about the facilities' functions had gradually diminished, while the political value of acknowledging clearly what the facilities were doing had increased.

Miyazawa urged to resign over Recruit stance

By Ian Rodger in Tokyo

Miyazawa: story revised

OPPOSITION party leaders demanded that Mr Kiichi Miyazawa, Japan's Finance Minister, resign following new revelations about his involvement in the Recruit political financing scandal.

However, Mr Miyazawa said he had no intention of resigning and would continue to work for the passage of the tax reform legislation now before the Diet (parliament).

On Monday, Mr Hiromasa Ezoe, former chairman of the Recruit publishing group, had said during testimony on the scandal in the Diet that a Recruit official had been in touch with an aide of Mr Miyazawa about the possible purchase of Recruit Cosmos shares in 1986.

Mr Miyazawa confirmed yesterday that this was correct, contradicting his own earlier testimony in the Diet that there had been no direct contact between Recruit and his aide. He claimed the aide had not told him of this contact.

This is the second time that the Finance Minister has had to revise his statements on the Recruit affair. In August, he denied any knowledge of how his name came to appear among those who had received Recruit Cosmos shares. Subsequently, he admitted that his aide had informed him that a friend wanted to buy the shares using his (Mr Miyazawa's) name.

Opposition party spokesmen promptly demanded that Mr Miyazawa resign. Mr Shun Oide of the Japan Socialist Party said that any incumbent finance minister who lies in the Diet should resign.

Mr Noboru Takeshita, the Prime Minister, is unlikely to accede to this demand, at least not immediately. If he did call on Mr Miyazawa to resign, it could cause divisions within the ruling Liberal Democratic Party to break out, perhaps threatening the unity within the party over the tax legislation.

Mr Takeshita's main objective at the moment is to win approval to extend the current Diet session, which ends tomorrow, by another month or so. In order to gain at least some opposition support for this move, he may concede to their demands for further investigation of the Miyazawa connection with Recruit.

S Korea provides a cautionary tale for US insurer

Maggie Ford discovers why Alico found itself cancelling policies it issued in a newly-opened market

A US insurance company which was a prime mover behind Washington's efforts to open the South Korean services market has found itself, almost literally, being taken for a ride.

The company, American Life Insurance Company, (Alico), a subsidiary of the AIG group, has been ordered by the Ministry of Finance to withdraw its company manager and reduce the salaries of other officials for "bringing disorder to the insurance market". The ministry's punitive action follows the company's decision to cancel 827 health and accident policies which it issued after setting up in South Korea last year. The policies marked a new departure from traditional insurance instruments in the country and Alico soon collected Won 70m ($100,000) in premiums.

Within months, however, it was forced to pay out Won 502m ($717,000) in claims as a stream of "motor cyclists" and "taxi drivers" found themselves in clinics, hospitals and occasionally, according to press reports, hot springs receiving treatment for accidental injury.

Eventually Alico cancelled all the policies it had issued.

Observers believe the case is a classic example of a foreign company failing to understand the complexities of a new market. They also point to the Government's determination to crack down on any "unhealthy" practices which might grow up as South Korea's financial and services market is gradually liberalised. Two years ago, a similar problem arose when the Citibank, the top US bank in Seoul, decided to introduce current accounts into a market where many people still pay their bills with wads of notes carried around in brown paper bags.

South Korean commercial banks normally require savings deposits to cover any likely overdraft. In Citibank's case, within months of allowing the new accounts, many of its apparently uncreditworthy customers had run up large unserviceable overdrafts. The bank revised its strategy after the MOF issued a stern warning and fined the bank, again for "causing a disorderly market".

Alico was one of the prime lobbyists in the US demanding the opening of the South Korean insurance market, which caused a major trade dispute between the two countries last year. It is one of two US companies to set up in Seoul since the Government acceded to Washington's demands.

In a country where the reliability of some officials cannot always be guaranteed, writing insurance policies against theft or sickness can be risky and substantiating claims very difficult, industry analysts say.

Illustrating the problems of operating in a society which has not previously been run on democratic lines, one observer recalled the case of the "Robin Hood" burglar several years ago.

This thief specialised in stealing from the very rich and acquired hero status since the victims were often thought to have acquired their assets illegally. When he was finally caught, public petitions were organised to campaign for lenient treatment.

Alico's unfortunate experience is a cautionary tale for foreign companies planning to take advantage of newly liberalising Asian markets which have operated very differently from Western countries in the past.

Marxist strike call heeded by 1m Delhi workers

By K.K. Sharma in New Delhi

NEARLY a million industrial workers from factories large and small in Delhi and the neighbouring town of Ghaziabad in Uttar Pradesh state stayed away from work yesterday in response to a call for a seven-day strike by the marxist-backed Centre of Indian Trade Unions.

The strike is being called in support of the demand that the monthly minimum wages of workers in Delhi should be doubled from the existing Rs562 (£20.78) which the organisers claim is derived through "mathematical jugglery" by the Delhi Administration ruled by the Congress-I.

The strike is unusual in that it is not being called indefinitely until the demand is met, nor is it the routine token one-day strike that is common India. "We are tired of token strikes which have no impact, so we decided to take stronger steps," said a Citu leader.

The organisers claimed the strike was a total success but this is difficult to verify as thousands of small industries are scattered throughout the capital. However, factories in the main industrial estates in Delhi were closed yesterday and pickets had been set up by Citu workers.

Several factory owners said they had closed their plants because they were afraid that workers would be beaten up and because of the possibility of equipment being damaged. They agreed that a closure for seven days would lead to considerable losses. Citu leaders claimed that police had been instructed to break the strike and there had been tear-gassing of workers trying to organise demonstrations. However, police denied there was any unusual violence.

The strike is not being supported by other leading trade unions which just last week called a one-day strike in support of the demand for higher wages. Their leaders said yesterday that they were not opposing the strike either.

The marxist wing of the Communist Party, which has called the strike, does not have a strong base in Delhi and the strike call is thought to be a test of its ability to organise a major protest. Its success will depend on whether the strike lasts the full seven days.

The action is being supported by many lawyers and intellectuals who staged a procession near the Boat Club, the main point for protests in the Indian capital, to support the workers' demands.

A more rontine one-day nationwide "token strike" over pay was called by workers employed by domestic Indian airlines yesterday.

Fighting erupts in Khartoum

THOUSANDS of Moslem militants shouting "Allah akbar" (God is great) battled with Sudanese southerners yesterday in central Khartoum during protests over a pact to end the southern civil war, Reuter reports from Khartoum.

Witnesses said dozens were injured as crowds fought with knives, clubs and stones. Police used tear gas and fired in the air to break up the protests and there were unconfirmed reports of some deaths.

Most battles broke out near the Cabinet offices and the armed forces headquarters during protests by supporters of the National Islamic Front, the third-largest partner in the coalition government.

The NIF calls the accord to end the five-year-old war a surrender. It was signed last Wednesday in Addis Ababa by Col John Garang, leader of the Sudan People's Liberation Army (SPLA), and Mr Mohammed Osman al-Mirghani, head of the Democratic Unionist Party, the second-largest coalition party.

UK NEWS

Shell places N. Sea oil development contracts

By Max Wilkinson, Resources Editor

SHELL UK announced yesterday that it had placed the first £37m of contracts for a £200m underwater North Sea oilfield development.

The Osprey field, which Shell operates for the Shell-Esso partnership, is one of the first of a new type of sub-sea development. The field is estimated to contain some 158m barrels of oil with recoverable reserves of some 60m barrels.

After the collapse of crude prices in 1986, oil companies intensified their search for cheaper methods of extracting oil from relatively small fields. Sub-sea installations linked to nearby production platforms are one method being used to avoid the cost of expensive fixed North Sea installations.

This is particularly advantageous in relatively deep waters such as those at Osprey, where the water is 520 ft deep. The sub-sea manifolds will be installed from a floating drilling rig. Pipes will then be laid to the nearby Dunlin platform where then oil will be processed.

The field, which is 112 miles north-east of the Sullom Voe oil terminal in Shetland, is expected to start producing oil and associated gas at the end of 1990. Production is expected to last for 16 years with peak ontput in 1991 of 25,000 barrels per day.

The contracts announced yesterday are likely to provide jobs for 300 to 400 people in the north of England and Scotland. The contracts were awarded to: Cameron Iron Works, Leeds, Press Ofshore, Wallsend, FSSL in London and Aberdeenshire, British Steel and McDermotts Offshore, Aberdeen

● An out-of-court settlement bas been agreed in a long-running dispute between oil companies and the Shetland Islands Council over rent for the Sullom Voe oil terminal. The settlement includes a lump sum payment to the council which is believed to be in excess of £100m.

The council and the 30 oil companies that use the terminal have been in dispute over the rent since construction of Sullom Voe began in 1974.

Cross-border link-ups forecast for power equipment makers

By Nick Garnett

THE PROSPECT of a shift in the type of power stations built in the UK and the need for partnerships between fuel and energy suppliers and the companies which make generating equipment was indicated yesterday by the Central Electricity Generating Board.

Privatisation of the UK electricity industry and the approach of 1992 in Europe will lead to greater variety of power stations and more pressure for national and cross-border link-ups among power generators and equipment makers, Mr Graham Hadley, secretary of the CEGB said yesterday.

The CEGB is being split into two generating companies and a national grid operator with 12 distribution companies. Vesting day expected is on January 1 1990 with the privatisation programme stretching through into 1991.

National Power and PowerGen, the two new generating businesses will be competing energy companies rather than public utilities and the intention is to make distribution a competitive business also.

Privatisation will have a significant impact on the power plant market, Mr Hadley told a presentation in London by Foster Wheeler power products, a divison of Senior Engineering which manufacturing boilers and other power equipment.

There is already demand for 15 gigawatts of new power generating capacity by the end of the century. With some big power stations coming to the end of their life, demand could rise even faster after the turn of the century.

Nuclear power still had a definite role to play in the UK but there would he a wider spread of power station plant types, Mr Hadley said. Plant options included small, clean coal-fired stations, combined cycle stations, traditional turhine-driven plant and large coal fired stations.

Power generators would have to offer a range of plant options in which gas turbine plant would play an increasing role.

Competitive bidding for power generation in the US, started 10 years ago, has lead to a number of consortia made up of power and fuel suppliers, entrepreneurs and finance companies.

This would happen in the UK where the electricity generation industry was trying to do in one go more than what the US had done since the late 1970s, Mr Hadley said.

Changes in Europe opened up the possiblity of selling, for example, to a southern Italian consumer electricty generated in Britain. That would result in partnerships between power generators and consumers across Europe and the transfer of generating technology.

The two power generating successor companies to the CEGB were more likely to buy their equipment "off the shelf" rather than continuing to use extensive in house technical specifications, Mr Hadley said. This should result in a more equitable balance of risk and reward between eqnipment suppliers and generating companies.

Docks site finds £34m buyer

By William Cochrane

A PIVOTAL SITE in London's Docklands, which could produce an office and ancillary property development worth more than £700m, has been sold for an unprecedented price to a company which has refused to identify itself.

The property market believes, however, that the company has Saudi Arabian origins.

The Port of London authority said yesterday that it had sold the freehold of Shed 35 North Quay, West India Dock, to Wetherby Limited for £34m.

North Quay faces Canary Wharf, the £3bn Olympia & York scheme, across the waters of West India Dock on the Isle of Dogs.

It is the last large uncommitted site in the Docklands Enterprise Zone and it has outline planning permission for a development of 1.9m sq ft gross, including 1.6m sq ft of offices, retail, leisure, residential space and car parking.

Originally, the PLA was going to build its own project in partnership with London & Edinburgh Trust, the company which redeveloped Billingsgate Market on the eastern fringes of the City of London. However, that deal fell through and the site went out to tender, closing last October 14.

At the time doubts were increasing about the ability of Docklands infrastructure and, with it, the viability of major projected office developments such as Canary Wharf.

Building magazine said last Friday that concern was mounting about a projected workforce total for the Isle of Dogs of 98,000 at the end of this century.

This was set against the 22,000 people an hour, said to be the capacity of the Docklands Light Railway (DLR), and an estimated 8,300 vehicles an hour by road.

Yesterday the joint agents for the vendors, Weatherall Green & Smith and Docklands specialists Clapshaws, said that the North Quay deal was an affirmation of the quality of Docklands as a commercial development location.

Weatherall noted that the site, two miles to the east of the City of London, has direct access to both Poplar and West India Quay DLR stations, and direct access on to the main dual carriageway Docklands Highway which is planned to take pressure off Commercial Road and East India Dock Road to the north of the Isle of Dogs.

It is believed that there were seven bidders for the site, with LET and Olympia & York among them; and that LET's bid was substantially below that of the winner.

Some property men calculate that the office space will have to be let eventually for £25 a sq ft, on the high side for projected Docklands rents, to justify the price paid for the land.

The US architects, Heery, have designed a scheme which involves three towers rising in height from west to east, the last of them more than 400 feet high.

UK NEWS

Italian shareholder says debts worse than expected

Super Channel put under court administration

By Alan Friedman

SUPER CHANNEL, the loss-making general entertainment satellite television channel, was placed under court-appointed administration last night as Betatelevision, the new Italian majority shareholder, disclosed that the debt burden was far worse than had been expected.

Mr Nigel Atkinson, one of two partners at Touche Ross, the accountancy firm, who have been appointed administrators of Super Channel, said last night that the channel faces £11m of outstanding debts and a further £7m to £8m of contingent liabilities.

Mr Atkinson, who together with Mr Christopher Morris of Touche Ross is now managing Super Channel, said that he planned to seek a "voluntary arrangement" with creditors. "I was told by Lord Justice John Vinelott of the High Court to cause Super Channel to survive and the effect of this High Court order is to put a ringed fence around the company and protect it from creditors," he explained.

Ms Maria Lina Marcucci of Betatelevision, which owns 55 per cent of Super Channel, said last night that she had reqnested the court order "because when we took over this company a few weeks ago we found a situation with regard to contracts and debts that was very different from what we expected."

Both Ms Marcucci and Mr Atkinson stressed that the aim of the court-appointed administrators is to "save Super Channel and not to close it." In particular they said the aim is to restructure Snper Channel's programming "to target young adults in Europe" and that the court order would give the company a breathing space.

Betatelevision bought 55 per cent of Super Channel from 14 ITV companies which had founded the channel 22 months ago in partnership with Mr Richard Branson's Virgin Group.

Virgin now owns 45 per cent of Super Channel and has been in intense negotiations with the Italians for several weeks about how best to recapitalise the company, which is believed to have accumulated losses of around £60m since January 1987.

Mr Atkinson said last night that Betatelevision has pledged £2m in order to fund present trading losses, which are running at around £750,000 a month. The Touche Ross partners plan to put a settlement proposal to creditors next month and hope to return the running of Super Channel to the Italian group by January.

The irony in the Super Channel saga is that most of the contingent liabilities are owed to two companies controlled by Virgin – these are West One, a production house which pulled the plug on Super Channel a few days ago, and Music Box, a supplier of music programmes. Super Channel has been broadcasting with the help of Molinaire, a rival of West One's. The effect of this situation is that Mr Branson's Virgin Group is both 45 per cent shareholder of Super Channel and a leading creditor.

Mr Branson admitted last night that "the situation is certainly paradoxical," hut said "I am sure we can reach a compromise."

Mr Branson, speaking as a Super Channel shareholder, said he believed the court-appointed administration was "a sensible move" and said he admired Ms Marcucci's efforts to save the satellite channel.

Lawyers agree basis for Piper Alpha settlement

By Ian Hamnilton Fazey, Northern Correspondent

A SETTLEMENT understood to be worth about £100m was agreed in principle in Manchester last night between lawyers representing the majority of the victims of the Piper Alpha disaster and Occidental Petroleum, the US oil company which operated the platform.

If the settlement is accepted by the victims' families and survivors, it will cover 136 of the 167 who died and 50 of the 66 survivors. The full sum is not being disclosed, but payments are understood to range from £50,000 to £1.2m, with an average of £600,000.

Agreement was reached at the offices of Pannone Napier, the Manchester solicitors specialising in compensation claims on behalf of disaster victims. Mr Rodger Pannone said that Occidental had negotiated "with sensitivity and honour."

He added: "We believe we have arrived at a fair and equitable arrangement for the people whose lives were devastated by this terrible accident. I will be recommending acceptance of the proposals to the steering committee representing them."

Payments are expected to be made before Christmas. Failure to agree last night would have led to the claims being pursued in the US courts. Mr Pannone was recently granted leave to take action there over the crash two years ago of a Chinook helicopter, which killed 45 offshore workers.

Occidental's team was led by Mr Gene Silver, the company's chief lawyer, and also represented the three other owners of the rig – Texaco, Union Texas Petroleum and Thomson North Sea.

The money has not been an issue in negotiations, which had stalled on Occidental's wish for the survivors and the victims' families to assign to the oil company their rights to further action against third parties.

If Occidental then successfully sued a third party for any part it might have had in causing the disaster, it would keep any compensation awarded.

Lawyers representing 26 other companies with interests in the platform have also been negotiating. The level of settlement was described by hoth sides as "mid-Atlantic" – higher than would have been obtained from a British conrt hut lower than might have been achieved in the US.

ICI flexible work plan seeks end to staff demarcations

By Charles Leadbeater, Labour Editor

IMPERIAL Chemical Industries, Britain's largest chemical company, is planning the most radical changes to its working practices since it introduced its present weekly paid staff agreement in 1969.

The aim will be to introduce greater worker flexibility and team working by eliminating demarcation lines between different jobs.

The plans focus on the company's 29,000 weekly paid staff, who are mainly manual workers. But it could also include the terms and conditions of the remainder of its 52,000 strong workforce, mainly employed at sites on Teesside in the north-east of England, Merseyside and Cheshire in the north-west and Scotland.

The company hopes to open formal negotiations with its unions on the proposals next year. Talks with a small group of union leaders have heen under way for the past year, and union representatives from the company's 60 UK sites meet next month to decide whether to sanction formal national negotiations.

ICI hopes those will produce a framework agreement allowing plant-hy-plant discussions on the introduction of "local working arrangements". The local talks would also cover the introduction of local honus schemes, a modest move away from centralised collective bargaining over pay.

The plans would replace the weekly paid staff agreement, which specifies pay grades, joh descriptions and demarcation lines between different groups of workers. The agreement was widely regarded as an innovative approach pay and working practices when it was introduced in 19 years ago.

The company is understood to have a long term strategy for changing working practices involving the step-hy-step introduction of changes at a local level. The changes could also include the phased introduction of harmonised terms and conditions of employment for blue and white-collar workers, which could provide manual workers with longer holidays and improved non-pay benefits such as pensions, and sick pay.

Harmonisation could also allow the company to introduce greater flexibility between skilled, unskilled and white-collar workers.

Ozone investment, Page 29

Judge rules out plea on RUC evidence

A CORONER holding an inquest on three unarmed IRA men in County Armagh has no power to compel the RUC officers who shot them to give evidence on oath from the witness box, a judge ruled yesterday.

However, Mr Justice Carswell said at the Northern Ireland High Court in Belfast that the three officers' unsworn statements could be admitted as evidence.

He gave his ruling at a judicial review of the inquest, after lawyers for the family of one of the IRA men tried to overturn the decision by the coroner, Mr James Elliott, to admit the officers' statements.

The judge said that while the coroner was wrong to refuse to adjourn the inqnest shortly after it opened he did not think it necessary to order a fresh inqnest.

A new date will be set for the resumption of the hearing at Craigavon.

Minister agrees to conciliation service in nurses' pay row

By John Gapper, Labour Correspondent

MR Kenneth Clarke, the Health Secretary, last night responded to a joint initiative from health unions to break the deadlock in the dispnte over nurses' regrading by agreeing to the involvement of the conciliation service, Acas.

Mr Clarke said that he would allow negotiators on the management side to listen to suggestions from Acas on how the dispute could be resolved. However, he ruled out talks on the way in which the clinical gradings structure has been implemented.

His response came after nursing unions agreed on a joint approach to Acas to try to solve the dispute. Cohse and Nupe, the health unions affiliated to the Trades Union Congress, said that they would be prepared to call off industrial action if the Government agreed to conciliation at Acas.

Health authorities said yesterday that industrial action by memhers of the two unions against the implementation of the new clinical grading structure was not widespread, and few patient services were being disrupted.

About 70 nurses walked out at Dykebar Hospital in Paisley, Scotland after two nursing assistants who were working to grade were sent home. Members of Cohse and Nupe at Selly Oak Hospital in Birmingham voted for a 24-hour strike.

Mr Clarke said last night on BBC radio that he was pleased to hear "a little commonsense glimmering on the other side." But he said he would not reopen negotiations with the unions on fundamental disagreements over regrading.

The joint approach to Acas was agreed to by the staff side of the nursing staff negotiating council despite tensions between the TUC-affiliated unions and the Royal College of Nursing over the latter's condemnation of industrial action. Mr Clarke has agreed to meet the RCN separately.

Ms Val Cowie, RCN industrial relations officer, said she hoped that talks at Acas would cover grading criteria, the machinery for nurses' appeals and the restructuring of nurses' jobs taking place in some health authorities. The RCN reserved the right to meet Mr Clarke separately if the initiative failed.

Mr Roger Poole, Nupe national officer, said the TUC unions would be prepared to call off strikes and working to grade if Mr Clarke accepted fresh negotiations over the 17.9 per cent pay award. "If Kenneth Clarke will not go to Acas, then frankly, I don't know where he is going at all," he said.

Union negotiators left Acas after a two-hour meeting with officials last night. Acas said it would consider whether to ask for a meeting with the management side to discuss the issues raised, but it is thought likely they will do so.

Mr Bob Jones, Nupe national health officer, said on leaving Ac that Mr Clarke's response had been "very disappointing." Industrial action would be called off only if Acas made progress in a meeting with management negotiators.

Dons to vote on boycott of examinations

By David Thomas, Education Correspondent

UNIVERSITY LECTURERS are to be asked to boycott all aspects of this year's examination process in an angry response by the Association of University Teachers to what is emerging as a difficult set of public-sector pay talks.

The union is also objecting to the employers' proposals to give individual universities much greater discretion over pay.

The AUT sees this as a move to erode national pay bargaining and to introduce market factors into lecturers' salaries.

Yesterday the union's executive ordered a ballot of 30,000 members after receiving a report of talks with the Committee of Vice-Chancellors and Principals on Monday.

The union has been embroiled with employers in a dispute on whether the last pay deal covered this year.

It has sought a cost-of-living rise for 1988-89 and progress on an offer which was made for 1989-90.

UK to call environment conference

By John Hunt, Environment Correspondent

BRITAIN is to call an international conference, to which the Soviet Union and other East European countries will be invited, to discuss further measures to combat the depletion of the ozone layer.

The conference, to be held in the UK, will be announced today by Mr Nicholas Ridley, the Environment Secretary.

In a separate move, Lord Caithness, the minister responsible for environmental protection, will today announce government proposals for stricter control over importing hazardous waste into the UK.

The announcements are a continuation of the Government's programme to convince the puhlic that it is taking action to combat environmental pollution.

There has been international concern over the thinning of the ozone layer. The principal cause is believed to be the increased use of chlorofluorocarbons in aerosols and plastic foams.

Such chemicals have a long life in the upper atmosphere and reduce ozone, thus allowing more ultra-violet radiation to reach the earth's surface and cause a potential health threat.

Britain has signed the Montreal Protocol for halving ozone-depleting chemicals by 1999. Lord Caithness has said that Britain would like to see a reduction by at least 85 per cent as soon as possible.

Air control body sets up airport delays task force

By Michael Donne, Aerospace Correspondent

EUROCONTROL, the European air traffic control organisation, has voted a 10 per cent increase in its budget, to £87m for 1989, to help it to devise methods of avoiding last summer's severe air delays.

This was one of a number of measures approved at yesterday's meeting in Brussels of the Permanent Commission of Eurocontrol, of which Lord Brabazon of Tara, UK Aviation Minister, is president.

The other measures include establishment of a special task force to look at ways of preventing next summer any repetition of what happened this year.

An upsurge of passenger traffic this summer, coupled with industrial disputes and other ATC problems, together with airlines operating with too few aircraft, resulted in delays of many hours at many airports.

Yesterday's meeting mainly instructed the Eurocontrol organisation to develop improved techniques for air traffic control throughout Europe, both in the short term and further into the future.

One immediate objective is to improve communications between air traffic control centres throughout Europe, in order to ensure a smoother flow of aircraft through the existing complex pattern of ATC sectors.

Details for achieving this improved co-ordination between individual national air traffic control authorities has been worked out since the last meeting of the Eurocontrol Commission in July.

But other major developments, such as setting up a Central Data Bank, that will include information on all European air transport movements, and a Central Flow Managment Unit to manage the overall flow of air traffic throughout Europe, are expected to take longer to achieve.

Teaching taster courses

By David Thomas, Education Correspondent

THE GOVERNMENT is launching a national programme of introductory courses for people in mid-career who are considering changing jobs to become teachers.

The programme, which is being mounted with the support of ICI, is aimed at attracting older people into subjects affected by teacher shortages.

Ministers have expressed considerable concern at the problems of attracting enough teachers in these subjects through the traditional entry routes, and in the summer made proposals to simplify the path of people in mid-career into the profession.

Building society receipts at record

By Eric Short

THE NET flow of savings into building societies rose sharply last month to £1.58bn – the second highest monthly net savings figure on record and more than double the unexpectedly low savings level of £621m in September.

Mr Mark Boleat, director-general of the Building Societies Association, said October was traditionally good for societies in the retail savings market, with seasonal factors raising net receipts last month by some £450m.

Net investment into unit trusts was also at a healthy level. Figures issued by the Unit Trust Association showed net new investment of £234.8m, with £56m of this coming from the launch Marks and Spencer, the retail group, of its first unit trust.

Although this figure was some £150m lower than the previous month it was still the second best month for unit trust savings since the stock-market crash in October last year. The fall came mainly from lower institutional investment.

Building society lending continued to fall from levels reached during the summer. Net new commitments at £3.58bn were marginally higher than in September, while net lending continued to fall from its high in July, dropping from £1.91bn in September to £1.87bn last month.

Mr Boleat said that savings are expected to fall this month in the run up to Christmas and the flotation of British Steel at the end of the month.

Thatcher takes Swedish lesson in bureaucracy

Robert Taylor on a model for change at Whitehall

THERE is at least one aspect of Social Democratic Sweden that Mrs Margaret Thatcher, the British Prime Minister, admires.

Mr Peter Kemp, a senior civil servant whom she has appointed to shake-up Britain's bureaucratic machine, has paid a rapid visit to Sweden to see how its administration works.

"We have to be careful about translating policies for one country into another," he said. But he did not disguise his enthusiasm for the Swedish administrative system, which consists of small central government departments and a large number of semi-autonomous agencies responsible for carrying out their policy decisions.

The only other democratic country in the world with such highly developed devolution of executive authority is New Zealand, and that was thought too distant for a visit from Mrs Thatcher's Downing Street Efficiency Unit.

In a policy document titled The Next Steps published this year, the Government fully endorsed a new system based on the separation of policy-making and executive functions, with the creation of agencies designed to administer particular services.

At first sight, it might seem surprising that Mrs Thatcher should look to Sweden as the model for a reform of the government machine. The country is renowned for having a strong centralised state, a well-developed tradition of corporatist bargaining in its political system, and half a century of almost uninterrupted Social Democratic domination. Moreover, the Swedish system is based firmly on genuine consensus between the parties and interest groups with a clear determination by all sides to try and avoid conflict whenever possible.

It also carries some obvious disadvantages for any government which seeks to take swift and decisive action. Indeed, last year in an influential and generally sympathetic study of the country's economy, the Brookings Institution criticised the decision-making procedures in the Swedish state on the grounds that they were "poorly adapted to rapid change" and "susceptible to paralysis." Moreover, the Swedish system is also remarkably open to public scrutiny. Even the post which the Prime Minister receives every day can be read by anybody walking in off the street. It is not an administration adept at keeping secrets.

Remarkably, the agency approach to public administration has existed in Sweden since the 17th century – when the country ruled a vast Baltic Empire.

Mr Kemp and his small team were given a thorough briefing in Stockholm on important reforms in the system introduced since 1985 with the aim of improving the efficiency of the agencies.

"The problem here is the same as everywhere else in the late 20th century," said Mr Kemp. "How to get the right balance in the administration of the state between ministerial responsibilities and efficiency in the delivery of services."

The Swedish agency system does enable a clearer division of duty to be established between the different functions of government.

But the agencies also provide a huge amount of political patronage for the government of the day to hand out to its trusted supporters. Until the 1970s, ability was generally regarded as the most important criterion for anybody to be appointed to a senior agency post. Since then, however, partisan loyalty has become increasingly necessary for top jobs.

Many Swedes are sceptical about the efficiency of their government's agencies, and the way much of the public services sector is being administered, particularly the health service and education. There is a strong head of steam building up in the country about the need for the introduction of more market disciplines in public administration.

The all-powerful Ministry of Finance is spearheading a campaign to shake up the bureaucracy and make it much more responsive to the demands of the citizen than it appears to be at the moment. This may stop short of an all-out assault on the public services but it undoubtedly reflects a definite change in the popular mood about what the role of government should be.

Mr Kemp and his team were impressed by what they were told in Stockholm about the "renewal" of the Swedish agency system in recent years.

Glaxo joins Chinese government in asthma drug venture

By Peter Marsh

GLAXO, Britain's biggest pharmaceutical company, is joining forces with the Chinese government in a plan to build a $10m plant in China to produce anti-asthma drugs.

The factory, due to start up in 1991, is believed to be the first pharmaceutical joint venture in China involving a UK company.

Glaxo said yesterday that it would provide half the investment for the plant, which is to be in Chongqing in Sichuan province, with the Chinese government providing the rest.

The factory is to concentrate on producing aerosol inhalers containing Ventolin and Becotide, two of the UK company's large-selling anti-asthma drugs.

Glaxo said the manufacturing site would help it significantly to increase sales of the company's asthma products in China, where Glaxo's present annual sales are around £3m.

Glaxo's main Chinese government partner in the joint venture is the China National Pharmaceutical Foreign Trade Corporation.

●PFIZER, the big US pharmaceutical company, is to fund small technology start-up companies in Britain by contributing £5m to a new venture-capital fund.

The New York drugs group is among the organisations which have put up cash towards a new £33m venture-capital fund being organised by Charterhouse Venture Fund Management.

The Charterhouse Fund, which is owned by the Royal Bank of Scotland, is among Britain's leading venture-capital groups.

The group specialises in backing companies in electronics, engineering and novel medical and environmental technologies and launched its first £16m fund in 1984. Some £12m of this has been spent.

Other groups backing the fund include Chase Manhattan Bank and Duke University of the US.

Australian groups take Galileo

By Michael Donne, Aerospace Correspondent

GALILEO, the global computer reservations system which has been formed by a consortium of European airlines, has signed an agreement under which Ansett Transport Industries and Australian Airlines will take over the marketing rights to the Galileo system in Australia.

The two Australian companies have set up a joint organisation in Sydney, Southern Cross Distribution Systems, to market the Galileo CRS to Australian travel agents.

The decision is seen as a blow to Qantas, the Australian flag airline, which had earlier set up a rival computer reservations system in conjunction with Japan Air Lines, called Fantasia.

ADVERTISEMENT

FINANCIAL FOCUS ON SOUTH AFRICA

The world must assess the sanctions damage being inflicted on SA

Barend du Plessis, South Africa's Minister of Finance, talks to John Spira, Finance Editor of the Johannesburg Sunday Star.

BAREND DU PLESSIS

Spira: The South African economy is going through a difficult period of adjustment in the wake of sanctions and disinvestment — so much so that it is generally considered that a growth rate of no more than 2,5% is possible in current circumstances. What steps are being contemplated to raise the figure to a level needed to arrest the declining living standards of the country's people?

du Plessis: The need to retain a surplus on the current account of the balance of payments in order to meet our commitments to repay capital places a ceiling of between 2% and 3% on the economic growth rate we are able to attain in present circumstances. Such a low growth rate is totally unacceptable, because the rate of growth in our population exceeds this range. We shall therefore have to effect, in the shortest possible time, structural adjustments to our economy similar to those which other countries achieve with the assistance of the IMF. As a result of capital sanctions on South Africa, however, we shall have to make the adjustments without the IMF — in fact without access to any international borrowing facilities. This makes it more painful and more difficult to achieve. But we have no choice.

It's a problem being grappled with by the IMF in respect of more then 60 of its member countries, so we're in reasonably good company — except that it's more difficult in our case.

*Several steps have already been taken to raise standards of liv*ing, perhaps foremost of which is an imaginative and effective programme of population development. In order to enhance prosperity, we are also in the process of formulating a long term economic development strategy with the objective of increasing the rate of growth.

Spira: What specific policy measures are being formulated?

du Plessis: Inward industrialisation is one of the cornerstones. We could experience the urbanisation of as many as 15 million (mainly black) people in the next 15 years in South Africa. In *terms of percentages,* black South Africans are under-urbanised, which implies that their housing and infrastructural needs will form a major portion of the country's economic activity between now and the end of the century. The economic activity thereby generated will help us overcome the structural adjustment problem.

Another significant factor is that we have overcapacity in a number of areas — specifically in electricity, railroads and the country's vast road system. If we can more fully utilise the existing capacity, the marginal costs of providing the services in question will decline dramatically. In these spheres of economic activity we shall therefore see little further investment, but the production of the services will become cheaper between now and the end of the century.

Looking at particular industries in the private sector, there is overcapacity in cement production, pharmaceuticals, paper, certain sectors of the iron and steel industry and in fertilisers. We must accordingly concentrate on more fully utilising those industries where we have an advantage on the score of capital investment that has already been made. Therefore, we must aggressively promote export drives and the further development of these industries.

Deregulation deserves and is receiving further attention. Deregulation means, in our context, the removal of those regulations and rules that have come about from a first world perspective and that are inhibiting the full development of self-employment and small businesses, particularly in the developing sectors of our population. We've made some progress on this road, but there are several further restrictions that must be and will be removed in order to free the economic activities of South Africa's prospective entrepreneurs.

Deregulation will provide employment opportunities for many people. We have already, in our promotion of the informal sector, invested more than R1 billion in the training of unemployed people, training them in basic skills that they can sell — particularly in manual labour in the building industry and administrative skills. This R1 billion investment provided a tremendous boost to the informal sector. Some economists have estimated that the growth in our GDP is underestimated by as much as 30% on account of the activity of the informal sector.

The best example of success in this drive is the partial deregulation of the transport industry — a step that has already generated employment for more than 120 000 black taxi drivers. The taxi-owners are now running a highly efficient transportation system, which provides jobs for many people. It represents an investment of more than R3 billion over a short period of time and shows to what extent deregulation can promote not only visible economic activity but also the supportive services necessary to keep that system going.

In the process of deregulation and the promotion of small business, one should not overlook the Small Business Development Corporation, which is funded partly by the state and partly by the private sector. The SBDC has been in existence for more than seven years, over which time many millions of rand have been injected into it. More will be forthcoming in the years ahead.

Spira: Since, as a result of capital sanctions, South Africa doesn't have the wherewithal to finance the developments of which you speak, from where will the funding come?

du Plessis: Privatisation will enable us to mobilise not only private savings but to create investment opportunities for the massive cash flows generated by pension funds and long term investment institutions in South Africa. This will free the assets of the nation to finance the additional economic development to which I've referred.

Spira: Will South Africa be capable of generating a sufficient surplus on the balance of payments to enable it to meet its international loan repayment commitments?

du Plessis: We are managing our economy in such a way that we shall be in a position to meet those commitments. The economy has shown sufficient resilience in difficult circumstances, prompting a measure of optimism for the years ahead.

Spira: What of the impact of sanctions on this scenario?

du Plessis: In the interests of people in South Africa who are desperately in need of economic development and also because South Africa is the shining economic light on the sub-continent, the world must now assess the damage being inflicted on South Africa if sanctions are continued.

While there's no doubt that to date we've dealt reasonably successfully with sanctions, the fact that we don't have access to international capital markets has placed a severe constraint on our economy in the short term.

We're vigorously working, through the process of negotiation, towards eliminating conflict in South Africa and provided we can stabilise the internal political situation, we shall come out of this leaner, fitter and better managed.

It's a futile exercise to think that South Africa can be forced to accept the so-called "political solutions" which many of our foreign critics and activist groups want. The price being paid by people in South Africa and in the Southern African region is simply too high.

We can deal with sanctions, as we've shown. But in the process, we've had to sterilise massive amounts of wealth already paid for in the form of stockpiling of strategic materials. That means billions of rands of wealth belonging to this nation is simply lying there without making any contribution to economic growth. If we had the opportunity of releasing our own wealth into our own country, it would go in where the development should be taking place. We've had to scrap social upliftment plans worth billions as a result of such sterilisation of resources.

Spira: How significant is the regional role played by South Africa in Southern Africa?

du Plessis: We provide electricity to most of our neighbouring countries, labour opportunities to hundreds of thousands from across our borders (we have more than one-and-a-half million "illegal" work seekers from foreign lands in our country) and a whole range of medical, agricultural and technical assistance programmes to our neighbours.

Spira: South Africa's inflation rate has declined steadily during the course of 1988. Now at 12,4% do you envisage the rate falling into the single digit area in 1989?

du Plessis: Inflationary pressures are building up again, mainly because our currency has declined in value. So I'm expecting an increase in inflation in the next few months. This is why we're trying to cool the economy down.

We have a strange situation in South Africa. There are certain initiating and perpetuating factors in our economy which make the country highly vulnerable to inflationary pressure. These factors include low productivity, relatively high government expenditure, skilled labour bottlenecks, a gross underutilisation of capital as a result of sanctions and the sterilisation of capital — also because of sanctions.

On the score of low productivity, it should be recognised that we've been closing the black/white wage gap long before productivity has warranted it. Yet it's a long term social investment and an investment in stability.

Spira: You have expressed your determination to hold the increase *in government expenditure to a rate below the infla*tion rate. Will this objective come to fruition in the current fiscal year?

du Plessis: Two years ago, we had no option but to use government spending to get the economy going again. But it's awfully difficult to reverse the process. One of the principal areas in which we've spent substantial sums of money is in the sphere of education — largely on the building of schools for our black communities. Another is housing — again for black South Africans.

I regard such outlays as development spending — spending on the development of South Africa's future. It isn't easy to cut back on what one believes is an investment in the future. Nevertheless, while the increase in government spending this year is unlikely to be below the inflation rate, it won't be much above it.

Spira: Financing that state expenditure has placed a heavy burden on the nation's taxpayers. Can they look forward to any relief?

du Plessis: We're in the process of effecting structural adjustments to our tax system but the process of implementation will be relatively slow, because hand in hand with the adjustments goes a restructuring of state expenditure.

Ultimately, we're working towards a more equitable distribution of the tax burden and the transfer of resources from the public to the private sector. Here, however, we have the classic problems of so many economies. In times of recession, government spends money to prime the economy but the projects on which the money is spent can't be summarily halted when the economy revives. These projects must be seen through to completion. So the process takes time.

In the course of reviewing the capital spending patterns of the broad public sector, we have achieved the desired cutbacks. Unfortunately, in terms of pure state expenditure, we have not yet achieved the desired result. Our five year economic plan makes provision for the reduction of certain current expenditures.

Spira: You have recently enjoyed heightened contact with foreign bankers. Is there any prospect of a resumption of long-term loans to South Africa in the near future?

du Plessis: Measured against other countries, there is no calculable reason for bankers not to do business with South Africa. We are completely underborrowed on any criteria, so obviously the reluctance of bankers to advance loans to South Africa is politically inspired.

We are determined to solve our political problems, because we know that this is an imperative for peace within the nation. I believe we shall solve the problems. The process will be delicate and gradual. Progress will not be measured with a stop watch but with a calendar, with black participation being fiercely discouraged by those who do not want to see the evolving system get off the ground.

But once we get the wheels turning, I think we shall have the basis for getting back into the world's capital markets, because, quite apart from the perception that there is a prospect of peaceful political solution in South Africa, the reality will be that that process will, inside South Africa, produce an environment which I am sure will be conducive to our re-entry into global capital markets.

Somebody will some day have to say that the world cannot force South Africa — all on its own — to become the perfect society.

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Employers 'widening range of perks offered to office staff'

By Charles Leadbeater, Labour Editor

BRITISH employers are providing an increasingly wide range of fringe benefits and non-pay perks to attract and retain office staff, according to a survey of 450 employers.

Almost half of the employers surveyed said that a fifth of their pay bill went on fringe benefits, up from about 38 per cent of employers in 1980.

The survey was commissioned by Alfred Marks, the recruitment company and published in the magazine Personnel Today.

The survey found that public sector employers offered the best sickness and maternity pay, training, further education, flexible working hours and nursery facilities.

Private sector employers concentrated on incentive schemes, bonuses, mortgage subsidies and longer holidays, according to the survey.

It suggests that public sector employers are compensating for lower prevailing pay rates than the private sector by tailoring working conditions to the needs of women with children.

This could strengthen the position of the public sector in competing to recruit working mothers as the number of young people entering the workforce falls.

About 29 per cent of employers operate a basic working week for office staff of 35 hours or less. Most of the rest have an average working week of 36-37½ hours.

Almost 60 per cent of London office staff work a 35-hour week.

Some 23 per cent of the companies surveyed offer flexible hours and 31 per cent offer staggered hours.

Among public sector employers 70 per cent offer flexible hours, while 58 per cent provide staggered hours.

About 63 per cent of public sector employers offer maternity leave arrangements which are more generous than the statutory entitlements, compared with only 13 per cent overall.

Nearly two-thirds of private sector employers said that only 24 per cent of women employees returned to work after pregnancy, compared with 45 per cent in the public sector.

A fifth of public sector companies provided nursery facilities, compared with only 9 per cent in the private sector, the survey found.

Virtually all employers support staff who take work-related further education classes in their own time, with 75 per cent paying course fees in full.

About 84 per cent of employers provide or pay for word processor training, and 71 per cent train staff in the use of personal computers.

Almost eight in every 10 employers allow more than 20 days holiday a year, compared with just 38 per cent of employers who did so in 1980.

Personnel Today is available from Oakfield House, Perrymount Rd, Haywards Heath, West Sussex RH16 3DH, price £28 a year.

THE QUEEN'S SPEECH: ANALYSIS

POLITICAL ANALYSIS

Pace maintained

FOR MRS Margaret Thatcher the central aim of yesterday's Queen's Speech was to maintain the hectic pace which the Government set for itself following last year's election victory.

And after a period in which the Whitehall machine has started to appear decidedly careless, there has certainly been a need for fresh momentum.

Backbench rebellion against charges for eye and dental checks and Mr Nigel Lawson's maladroit handling of his disputed press briefing on benefits for the elderly have been followed by other presentational errors.

Mr Kenneth Clarke, the Health Secretary, has found that rows over the detailed implementation of the £1bn nurses' pay deal have completely overshadowed the expected public applause.

Some of the gloss of next month's visit to London by Mr Mikhail Gorbachev, the Soviet president, has rubbed off in the public airing of the Prime Minister's objections to a entirely hypothetical invitation for the Queen to visit Moscow.

Yesterday's speech, of course, foreshadows the usual mish-mash of legislation. The huge bills to privatise water and electricity sit alongside those designed to provide a statutory framework for the security service, reform section 2 of the official secrets act, overhaul the law on child abuse, and streamline procedures for acquistions and mergers.

Parts of the planned legislation also bear the more personal mark of Mrs Thatcher – a further clampdown on terrorism in Northern Ireland and the move against football hooligans are obvious examples.

But taken with the mass of bills in the 1987/88 parliamentary session, the new programme should ensure that the Government will have the key planks of last year's manifesto in place by the end of 1989.

The poll tax, the education reform bill and the major changes in public sector housing policy will all begin to take effect over the next two years.

The sales of water and electricity expected to provide a bonanza for Britain's newly-created army of individual shareholders will run in parallel. From November 1989 there will be an attractively-priced share issue every four months or so as the sale of water is followed by the four (at least) separate flotations needed to transfer electricity from the public to the private sector.

Among the opposition parties there is no pretence that they will be able to derail completely any of the important legislation. The Government majority of 101 ensures that it will be able to ride out any small revolts, while there is little sign of the scale of unease on its own side prompted by, say, the poll tax.

The Labour party, however, has not been left without opportunities to harry and disrupt. The water bill can expect a rough ride on concern over the hefty price increases that can be expected from the newly-privatised companies.

Mr Neil Kinnock, the Labour partyleader, appears convinced that the new legislation on official secrets and on terrorism will cast the Government, and Mrs Thatcher in particular, in an unattractive and authoritarian light.

More fundamentally, however, both sides agree that the key to whether Labour will be able to do much more than generate lots of noise will be the performance of the economy.

Whether the recent banana-skins turn out to be simply minor irritations or the start of a more serious accident-prone path will depend crucially on whether Mr Lawson delivers his promised "soft landing."

Philip Stephens

N.IRELAND

Acting against terror

The Government's widely foreshadowed announcement of measures to clamp down further on terrorism and curb political activity by supporters of proscribed groups in Northern Ireland brought well-rehearsed scepticism and charges of increased repression from opposition MPs yesterday.

At the centre of the government's twin thrust is a new Prevention of Terrorism Bill, which will make the existing temporary powers of exclusion and detention without trial permanent. It will also cut the automatic remission on those sentenced to fixed terms of over five years for acts of terrorism in the province from a half to a third and give police powers to confiscate money or property to be used for terrorist purposes.

Opposition MPs argue that the decision to make the existing temporary provisions permanent, albeit subject to annual review, amounts to an admission of defeat by the Government in the fight against terrorists. They particularly oppose the provision for exclusion and detention without trial.

There is, however, widespread support for the measures allowing the freezing and seizure of funds suspected of being destined for terrorist groups. Diversion of funds from legitimate businesses is estimated to raise about £4m a year for the IRA. The proposals, modelled on the 1986 Drug Trafficking Offences Act, allow wider powers of police investigation and require banks and financial institutions to set aside contractual or confidentiality obligations and disclose suspicions about funds deposited with them.

The new measure reducing remission, announced by Mrs Margaret Thatcher, the Prime Minister, yesterday, brings Northern Ireland into line with England and Wales. Mr Ian Stewart, junior Northern Ireland minister, said that the move was required to cut down the "significant proportion" of those released who recommit terrorist offences. About one-fifth of those released in 1984 after serving fixed terrorist offences were found to have committed similar offences within the following two years.

The move was condemned by Mr Seamus Mallon, MP for the predominantly Catholic Social Democratic and Labour Party, as a "gross misjudgment" by the government, which would again focus political debate in the province on the prisons.

Mr Mallon expressed similar concerns about government's other new anti-terrorist measures, under which elected local councillors would be obliged to sign a declaration denouncing violence on taking office.

Sinn Fein has already indicated that its councillors will sign the declaration, challenging their opponents to take them to civil courts in order to prove that the Sinn Fein members are in favour of violence.

Government ministers admit that the new measures will not, in themselves, be sufficient to curb terrorism, but insist that taken together with existing action, they are designed to erode political and moral support for the IRA among the Catholic minority, reinforce confidence in the judicial system and political institutions and reassure Unionists of the commitment to combat violence.

Charles Hodgson

OFFICIAL SECRECY AND MI5

MI5 move doubts

THERE was an extremely cautious reaction yesterday to the Government's proposals to put MI5, the counter intelligence service, on a statutory basis, thus defining its precise role in legislation.

Opposition parties at Westminster have reacted with suspicion. They believe that this may been intended to distract attention from the Government's controversial bill to reform the "catch-all" section two of the Official Secrets Act, which is also included in the Queen's speech. There was little sign yesterday that Mr Douglas Hurd, the Home Secretary, would be prepared to make concessions on the official secrets reform bill, to be published in the next two weeks.

The Security Service Bill, to

be published today, will for the first time in MI5's 79-year existence specify its responsibilities to ministers in countering terrorism, subversive groups and foreign espionage.

Legislation to regulate the secret services, demanded by the civil service, has been dicussed in Whitchall for a year. The measure is intended to allay public disquiet following the Spycatcher affair in which Mr Peter Wright, the former MI5 officer, alleged that members of the organisation "bugged and burgled" their way across London. He also alleged that MI5 had indulged in "dirty tricks", including an attempt to destabilise the Wilson Government in 1974.

But will the new proposals give the service which has a budget of more than £160m and about 2,000 employees greater public accountability? Mr Roy Hattersley, Labour's shadow Home Secretary, and officials of the Campaign for Freedom of Information are sceptical.

They would like to see the bill include provisions for some form of parliamentary scrutiny of MI5 activities, either by a committee of privy councillors or by a select committee.

Yesterday, however, the Home Office was underlining Mr Hurd's oft-repeated view that MI5 should be answerable to ministers and not directly to MPs or peers.

The bill reforming the Official Secrets Act will replace the discredited section two under which any civil servant may be prosecuted for divulging information, however trivial. In its place there will be six specific categories of information on which prosecution can take place.

But Mr Des Wilson, co-chairman of the Campaign for Freedom of Information, said that there was still great concern that the Government did not apparently intend to allow defendants to use the defence that the information had been published in the public interest.

It has also been thought that Mr Hurd might abandon the proposal which makes it an offence for anyone to publish confidential information received by the British Government from foreign governments. There was no sign of any change of heart on that yesterday.

One thing is certain. The more controversial aspects of the reform bill will be intensely contested in the Commons and Lords with some Conservative MPs and peers joining forces with Labour and the other opposition parties. When more details are known of the MI5 bill, it too could be the centre of an equally savage parliamentary battle.

John Hunt

MUCH WILL depend on the way the MI5 legislation is drafted and even more on the way it will be operated by the Government, writes A.H. Hermann, Legal Correspondent.

One can assume that the MI5 bill will redefine the task of MI5 so as to allay fears and suspicions that it meddles in politics. This may call for a provision enabling the Government or the Secretary of State to lay down rules replacing the Maxwell-Fyfe rules of 1952, widely considered obsolete. The bill will also provide for procedures for the approval of means and methods of surveillance which would otherwise be illegal modeled, apparently, on the present rules for telephone tapping.

The other likely aim of the legislation will be to repair the breach in the Government's doctrine of absolute duty of confidentiality owed by Secret Service personnel a breach made by the Law Lords judgment in the Spycatcher case.

The English law of confidence is entirely judge made and can therefore be moulded by courts with relative ease. The five Law Lords were unanimous that the duty of confidence of a Secret Service agent was not absolute - as the Government claimed - but that it could be voided by a stronger public interest in disclosure. By shifting the duty of confidence of members of the Secret Service from common law to the statutory law area, the Government would remove the duty of balancing the conflicting public interests in secrecy and information from the hands of judges and put it in the hands of ministers and their officials.

Such a change in the law is unlikely to be proposed without providing for a procedure enabling members of MI5 to complain to the Home Secretary without fear and hindrance. Any such formal channel for complaints would – like the bill as a whole – enable better control of MI5 by the Government but reduce the possibility of an independent check by the courts.

Other legislation promised in the Queen's Speech includes Bills on privatising electricity, water, and the Scottish Bus Group; and on local authority spending and employment. **Further reports: Page 14**

SCOTTISH EDUCATION

Opting out moves north of the border

THE GOVERNMENT will legislate to extend key parts of its educational reform programme to Scotland, by allowing schools to opt out of local authority control and providing for business-backed technology colleges.

The Labour Party in Scotland yesterday reacted angrily to the proposals, which will be fiercely opposed by Scottish teaching unions and could provoke dissent from some Scottish Conservatives.

Mr Malcolm Rifkind, the Scottish Secretary, said it was likely that there would be "a significant nnmber of schools" wishing to opt out. The Education (Scotland) Bill will allow parents to vote for the removal of a school from local authority control. The Government, which introduced a similar measure in England and Wales this year, says it will result in wider parental choice.

Scottish schools could begin opting out from 1990, which could also see the creation of the first Technology Academies, modelled on City Technology Colleges now being established in England.

Trusthouse Forte has offered £1.5m towards the first Scottish Technology Academy. A search is being made for a suitable site, and a school scheduled for closure in Glasgow next year has been mentioned as a possibility.

Other measures in the Scottish education bill will include:

- Making it easier to dismiss teachers by repealing statutory procedures governing their dismissal, which the Government believes are cumbersome and have been overtaken by safeguards in employment protection legislation.
- Delegating more management responsibility to further education colleges and allowing them to engage in a range of commercial activities, such as selling courses, hiring out college facilities, consultancy work and creatioo of spin-off companies
- Abolishing statutory pay negotiating machinery in the non-university further and higher education sector.

The bill is a sign of the accelerating pace of educational reform which the Conservatives are pushing throngh north of the border. Only in the last few days of the previous session of parliament was legislation approved for the establishment of parent-dominated school boards to supervise all Scottish schools. That paved the way for opting out, since Scottish schools bad not previously bad governing boards which could take control of self-governing or opted out schools.

The proposals in the Qneen's Speech were immediately attacked by the Labour Party as paving the way for a two-tier system in Scottish education. Sir Hector Monro, one of the Conservative Party's five Scottish backbench MPs, has said opting out is unnecessary and will needlesly provoke conflict with the teachers' unions.

The leading Scottish teachers' union, the Educational Institute of Scotland, has complained that the Government is trying to make Scottish education into a mirror image of the English system, destroying its traditional distinctiveness.

The EIS points to the introduction of the school boards, opting out, and the plans for testing of primary school pupils in English and mathematics at the ages of 8 and 12. The union staged a one-day strike in protest at the "Anglicisation" of Scottish education earlier this month.

Ministers counter the EIS by arguing that the union has few ideas of its own on improving standards. The Government's educational measures are widely seen in Scotland as an attempt to break up an unusually homogeneous educational system, based on comprehensive provision for all and dominated by a monopoly examination board.

James Buxton and David Thomas

Alan Harper

Churchill surveys (from left) Margarat Thatcher, Neil Kinnock, Sir Geoffrey Howe, Roy Hattersley and Nigel Lawson

PROTECTION OF THE CHILD

Legal reform for care of children

THE CONFUSING and sometimes contradictory legal provisions for the care and protection of children are to be replaced under a proposed new Children Bill.

Some provisions in the Bill take account of Lord Justice Butler-Sloss's report into the Cleveland child abuse affair published in July, although the Bill is not merely a response to the Cleveland events.

The existing 28-day Place of Safety Order, used to take children into care when their parents are suspected of sexually abusing them, is to be replaced with a shorter-term emergency protection order. Legal rights of challenge to the protection order will be established, and courts will have power to give directions on access and medical examinations.

Attempts will be made in the bill to establish fairer court procednres for the care and supervision of children, and it will improve parents' rights of access when their children are taken into care. Use of wardship by local authorities as a means of taking children into care will be restricted.

The 1987 white paper on The Law on Child Care and Family Services was published in an atmosphere in which social workers were accused of doing too little to safeguard children at risk, sometimes resulting in their deaths. Lord Justice Butler-Sloss endorsed the proposed new emergency protection orders in her report into the events at Cleveland. But some of her more wide-ranging recommendations have not been picked up in the Bill. These include the establishment of a Family Court

Alan Pike

FOOTBALL

Turnstiles to tackle hooligans

IT IS HARD to find anyone outside the Government who thinks that the planned membership scheme for association football is a good idea.

What seems to have persuaded the Government to take action was the violence at the European Championships in West Germany last summer. Scenes of chanting skinheads in Union Jack shorts caused Mrs Thatcher to apologise to Chancellor Kohl. But it is hard to see how a membership scheme would have prevented these troobles. Mnch of the violence occurred outside the stadiums and, in any case, a national membership scheme would be of no use in combating international violence.

It is difficult to argue, on the basis of statistics, that violence inside football grounds has reached epidemic proportions. At Millwall, for example, a club with a fearsome reputation for violence, only 20 people were arrested in the 1986-87 season compared with 51 two years earlier.

The number of arrests at all Football League matches last season was 6,147, from a total attendance of 18.27m. That total was an increase on the 1986-87 season but was well below the 1984-85 season, when 7,140 people were arrested, compared with an attendance figure of 17.85m.

Inserting cards into turnstiles will inevitably delay entrance to the grounds and could mean supporters missing the start of games. Critics say that such a situation, frustrating numbers of fans, is a recipe for a riot. In addition, critics argue that the casual supporter will be discouraged from membership-only schemes, leaving the field open to more committed (more violent) supporters. The result will be smaller crowds but little reduction in violence.

Many believe that football hooliganism is a broader social problem, and that outside a football ground, a hooligan is indistinguishable from a so-called "lager lout".

These arguments have not swayed the Government, which is dissatisfied with football's response to hooliganism. A partial membership scheme was adopted after the Heysel tragedy in 1985, but clnbs have had difficulty persuading supporters to join.

Philip Coggan

TRAFFIC REGULATIONS

Cutting casualties with electronics

ONE OF the least controversial pieces of legislation announced by the Queen yesterday will provide a legal framework for the development of electronic route guidance for drivers.

The Road Traffic (Driver Licensing and Information Systems) Bill will give the Transport Secretary powers to license guidance systems on either a local or national basis.

A demonstration system, known as Autoguide, has been operating between Westminster and Heathrow Airport since April under the joint control of the Transport Department and 12 private sector organisations including GEC, Plessey, Rover Group, Texas Instruments, the AA and RAC.

Aotoguide uses a network of beacons to pass traffic information through infra-red beams to cars fitted with a mini-computer, display unit and specially-designed compass. Drivers use a key pad to inform the computer of their destination, and receive navigation advice on lane use, speeds and routes from a visual display or synthesised voice.

The bill will allow Mr Paul Channon, Transport Secretary, to give the go-ahead to a proposed full-scale pilot system covering main routes within the M25 London Orbital motorway, and eventually to a commercial system which drivers would join by subscription.

Research by the independent Transport and Road Research Laboratory estimates that Autoguide would reduce average journey times by around 10 per cent, and annual mileage by around 6 per cent.

The Transport Department says this could save more than £100m a year in traffic costs, and cut the number of road casualties by up to 500 a year. Ministers hope the London pilot scheme will start in 1990, and will be followed by a commercial system by 1991.

Kevin Brown

THE QUEEN'S SPEECH: ANALYSIS

PRIVATISATION: ELECTRICITY

Many vital questions waiting for answers

MANY PEOPLE in the electricity industry said Mr Cecil Parkinson, the Energy Secretary, would never be able to keep to his timetable for this £40bn sale of assets, or if he did, it would be an enormous fudge. This anxiety arose from the fact that the sale of electricity is to be accompanied by reorganisation, which will, in some senses, turn the industry upside down. It will transfer responsibility for keeping the lights burning from the generating sector to the 12 retail companies.

Tha Parliamentary Select Committee on Energy in July called the Government's timetable "frighteningly tight" and said this could result in "ill-considered, spatchcock legislation." In the five months since, it seems that the Government has modified a number of its initial ideas, partly as a result of the internal debate within the industry and partly because it discovered that the structure suggested in the 16-page white paper in February threw up difficulties and contradictions.

The white peper showed that the Central Electricity Generating Board, with assets of nearly £28bn at replacement values, will be split into three parts. The national transmission grid will be handed to the 12 area boards, while the power stations will be divided between two private generating companies.

The larger of the generating companies, to be called National Power, will own 70 per cent of the plant including all the nuclear stations. The smaller, PowerGen, will own the remaining plant. Both will be very large by international standards and National Power will be the largest private electric utility in the world.

The two companies will compete with power from France and Scotland and any independent generators which enter the market for the custom of area supply customers. These will he formed with little change from the present 12 area boards. The two Scottish suppliers will be sold as vertically integrated utilities.

In his reply to the selact committee earlier this month, Mr Parkinson showed that the Government had bowed to pressure to make the national grid effectively independent, although it will be nominally owned by the supply companies. He also reinforced the white paper vision of a free wholesale market in power to which industrial customers would have direct access.

However, Mr Parkinson left many of the most difficult questions nnanswered. The Electricity Bill, to be publisbed next month may answer some of them, but much of the detail will be left to the terms of the four types of licence which will be required by all the players including independent generators. Draft licences are not likely to be available until early next year.

These will set ont the details of regulation under the Office of Electricity Regulation, although the regulator's general powers will be specified in the bill. However, even the licences will not solve the most difficult and dispnted question facing the industry: who bears the major risks?

This will be determined by the wording of the contracts between generators and supply companies. Their terms will tbarefore provide answers to many of the difficulties which have been pushed down from the broad legislative proposals to the licences and thence to industry negotiators.

The central dilemma created by the new structure is that the retail supply companies will be given an obligation to keep the lights burning and a requirement to purchase some 20 per cent of nuclear power, without having the right to build more than a small proportion of power stations themselves. The generating companies, with the larger capital base, will have no legal obligation to build power plant. Without direct access to the protected domestic market, they may be unwilling to assume the risk of building plant which might turn out to be surplus to requirements.

Generators will want to pass all their capital costs down to the retail companies in the form of a fixed capacity charge. They will say that since distributors have the obligation to meet future demand they must pay for the capacity which they estimate is required to meet it. Distributors, on the other hand, will not wish to take on long term commitments to pay for plant which might not be needed.

These broad questions of the allocation of risk are complicated by the need to superimpose a national running order for power stations on top of individual two-way contracts, and the vital bnt unsolved question of how to create a pricing schedule for transmission.

Contracts cannot be negotiated until the Government decides a more detailed strategy for the apportionment of risks and the passing through of costs to consumers. Until this happens the City can have very little idea what the industry is worth, and the industry will have only a vague idea as to how it will function.

Max Wilkinson

PRIVATISATION: WATER

Fierce debates expected over bill's provisions

THE BILL to privatise most of the water industry in England and Wales is probably the most contentious of all the Government's privatisation measures and is likely to face great hostility within and outside parliament.

This is partly because many regard water as the most obvious natural monopoly of all which, like roads, should properly be kept in the public sector. There are also worries over the ability and willingness of private companies to give the necessary weight to environmental concerns and the needs of the consumer.

There are signs that ministers have taken some of these anxieties into account in preparing the bill, which will be published tomorrow. It will show that the privatised industry will face a substantial degree of regulation to ensure that standards are maintained and improved, and the consumer protected.

Despite tha anxieties, expressed by some Conservative MPs and peers as well as the Opposition, trade unions and environmental groups, the Government is determined to push the measure through to reach the Statute Book by the beginning of July next year, a month earlier than expected.

This will allow the 10 authorities in England and Wales to be privatised next November in a single flotation which will allow the private investor a stake in one or more companies. The 29 statutory water companies, which supply a quarter of the water in England and Wales, will also be able to become public limited companies.

It will be impossible to set a realistic valuation on the authorities – current estimates range between £4bn and £7bn – until the Government approves the regulatory framework, pricing formula and financial restructuring.

The industry was last restructured in 1974, when the 10 authorities replaced over 1,600 undertakings controlled by local authorities. Based on river basins, the authorities are responsible for everything from water supply and sewage disposal to land drainage and river management.

The original privatisation plan was to sell the authorities as they were, but the proposed retention of the regulatory functions by private companies enraged farmers, landowners, environmentalists and the Confederation of British Industry. Mr Nicholas Ridley hastily withdrew it when he became Environment Secretary.

The revised plan, which faced fierce opposition from an industry anxious to retain all its river basin management functions, divides the industry in two. The privatised authorities, or water services plcs, as they will be called, will be responsible simply for water supply and sewage disposal.

They will be stripped of their river management, land drainage and pollution control functions, which will stay in the state sector under a newly formed quango, the National Rivers Authority. Ironically, given the Government's dislike of quangos, the NRA will ba the largest in existence with a staff of around 6,000. It will inevitably increase the industry's costs.

The bill will set tough new target dates for bringing sewage treatment and water supply works up to standard, and will include financial penalties where these are not met.

There will be fierce arguments during the passage of the bill through parliament on the likely impact of privatisation on charges. These are set to rise steeply over the next five years to pay for the higher standards demanded by the EC and to fund the capital spending needed to update crumbling infrastructure.

Mr Ridley and his Minister of State, Mr Michael Howard, who will steer the 200-clause bill through parliament, insist that higher charges and increased investment would have been necessary whether the industry remained in the public sector or not, but the Opposition will argue that prices will soar because of the need to make higher profits for investors.

The legislation will confirm that charges cannot be based on rateable value after the year 2000, so a new method will have to be chosen. Most of the authorities tend to favour meters, despite the high capital cost, bnt at least one, Welsh Water, will opt for a licensing system.

On prices, the proposal is that each privatised company would be subject to a different formula, allowing prices to rise by the retail price index plus or minus a fixed percentage, called k. The k figure will be fixed prior to flotation and will be subject to variation every five years. The process of arriving at the k figure will be complex and will depend partly on how the industry is financially restructured. Some anthorities will have their high burden of debt lifted while others, like Thames, will have debt imposed. The intention will be to make all 10 authorities equally attractive to the investor.

Richard Evans

Privatisation protagonists: Cecil Parkinson (left) and Nicholas Ridley

SOCIAL SECURITY

Tighter rules for jobless

A NEW Social Security Bill will tighten up on the rules for claiming unemployment benefit. Existing rules already require claimants to be available for work, but Mr John Moore, Social Security Secretary, told the Conservative Party conference that he believed the mechanism for checking unemployed people's actual willingness to work needed strengthening.

The bill will shift the emphasis from merely being available for employment to actively seeking it. Claimants are already expected to seek work, but for the purpose of benefit claims are usually assumed to be doing so. Introduction of a more vigorous test follows a now well-established government tradition of discouraging people from depending on unemployment benefits when they could be working.

Under the bill, the upper age limit on mobility allowances – £23.05 a week paid to those who cannot walk to help them obtain transport – will be raised to 80.

The bill will provide the Government with a legislative opportunity to carry out its intention, announced by the Chancellor in the Autumn Statement, to abolish the Treasury supplement to the National Insurance Fund.

Since 1979 the level of taxpayer's contribution to the fund has declined from 18 per cent to 5 per cent. Abolition of the Treasury supplement will take place from 1989-90. It will not require increases in employers' or employees' National Insurance contributions.

The Queen's Speech reiterated the Government's intention to strengthen the National Health Service. A white paper in the New Year will set out the Government's proposals following a high-level ministerial review of health care which has been considering the subject all year. Although a number of the most radical ideas – such as replacing the present taxation-funded system with one financed by insurance – have turned out to be non-runners in the review, the white paper is still likely to point the NHS in new directions.

The Government is anxious to increase health care collaboration between the public and private sectors, to give the patient a stronger consumer voice in the service and to improve management and efficiency.

Alan Pike

PRIVATISATION: SCOTTISH BUSES

Breaking up a transport anomaly

THE Government's plans to privatise the Scottish Bns Group are part of a drive by Mr Malcolm Rifkind, the Scottish Secretary, to reduce the dependency culture he believes has established itself in Scotland.

Like most of Britain, Scotland has had a deregulated bus industry since the 1985 Transport Act took effect in October 1986.

But Scotland was exempted from the privatisation section of the act, which provided for the break-up and sale of the London-based National Bus Company (NBC).

This left tbe Scottish Bus Group, a subsidiary of the Scottish Transport Group (STG), in an anomalous position as Britain's only remaining state-owned bus operator outside London, where the act will not take effect until 1990.

Its position was further weakened by the successful sale of NBC, which was split into more than 70 companies and sold for over £300m.

However, the results of deregulation have been mixed, and passenger numbers have continued a 30-year decline. This has led to substantial opposition to bus reform in Scotland, both from the majority Labour Party and from consumer groups such as the Scottish Consumers' Council.

Mr Ian Irwin, chairman of the STG, blamed deregulation for a deterioration in the group's financial performance last year, when it lost £400,000 on a turnover of £178m, compared with a profit of £4.5m in 1986.

He said deregulation had opened a "Pandora's box" of damaging forces, particularly on the short-haul bus routes where the group earns 90 per cent of its revenne.

However, Mr Rifkind has rejected a plea from Mr Irwin for the Scottish Bus Group to be sold as an operating unit, preferably to its management.

Instead, he will split operations into about 10 local units, on the grounds that a single company running all the group's 3,000 buses would unfairly dominate other operators.

Management buy-out consortia are likely to bid for several of these new companies, and several outside bidders have already declared an interest, including two aggressive private companies – Stagecoach, based in Perth, and Frontsource, based in Aldershot.

A Frontsource bid could be backed by Ikarus of Hungary, the world's largest bus producer, which is seeking a production base in the EC.

The Scottish Office said Mr Rifkind's proposals for the Scottish Bus Group will be set out in a Transport (Scotland) Bill which will also provide for the separate sale of the STG's engineering, insurance, travel agency, tourism and property management interests.

Mr Rifkind has not yet decided what to do abont STG's other operating subsidiary – the loss-making ferry gronp Caledonian Macbrayne (CalMac), which provides essential services to many of the Scottish islands, and required a subsidy of £6.7m last year.

The Bill will transfer CalMac to the direct ownership of the Scottish Secretary, and provide for the dissolution of the Scottish Transport Group.

This is widely regarded as a short-term solution. The Scottish Office is still considering a confidential report by Peida, the Edinburgh management consultants, on whether CalMac could also be privatised.

An announcement on the company's future was expected shortly, bnt may now be delayed until the bill has passed through Parliament.

Kevin Brown

EMPLOYMENT

Fewer working rules for women and youths

THE DEREGULATION of the labour market, which the Government bas pursued through trade union reform and changes to the wages councils for the low paid, will be taken a stage further with legislation to remove restrictions on the employment of women and young people.

The Government plans to amend or repeal most legislation tbat discriminates between men and women, including prohibitions on women working underground in mines.

For instance, women can only claim statutory redundancy pay up to the age of 60. Legislation will be introduced to allow them to claim these payments up to 65, or the same retirement age as men.

The anti-bias requirements of the Sex Discrimination Act 1967 will override all other legislation, unless there is a clear justification for women being treated differently.

Thus special employment regulations – covering pregnancy, maternity leave and work with processes which involve a health risk to pregnant women – will ba retained. And women's educational institutions will be allowed to bias their recruitment towards wamen teachers.

There are three main reasons for the changes.

First, the Government has to bring UK employment law into line with the European Community's Equal Treatment Directive. Member states have been asked to review all legislation that might encourage a sex bias in employment.

Second, with the number of young people falling, more employers are seeking to recruit older women workers. The changes will ease this switch in recruitment practice.

Third, the need to remove discriminatory practices has allowed the Government to loosen employment restrictions further.

The deregulation drive is clearest in tbe Government's proposals for legislation to ease the limits on the hours 16 to 18-year-olds are allowed to work. The 7 am to 8 pm restriction on their working day will be removed, as will the maximum shift length of nine hours a day. Rules covering weekend working, weekly working bours and meal breaks will also be amended.

Many regulations covering the employment of young people date back to the last century, when very young children could still be employed in industry. Employers generally believe that there is little reason now for 16 to 18-year-olds to be treated differently from adults.

An increasing number of companies are modifying shift systems and moving away from the standard eight-hour day, five-day week. Employers argue that restrictions on the length of shift that young people can work hamper their integration into more flexible shift patterns.

Many regulations covering the employment conditions of young people only apply to specific industries. Without amendment or repeal, employers in these industries would be handicapped in the intensifying competition to recruit school and college leavers.

The proposals have been attacked by the TUC and the National Council for Civil Liberties, but welcomed by the Confederation of British Industry.

The Government will also introdnce legislation which will make it more difficult for trade unions to co-ordinate collective bargaining between enterprises and between one company's different sites. The range of duties for which local trade union officials can claim a statutory entitlement to paid time off will be limited to negotiations with their employers.

The proposals are in line with the thrust of the Government's trade union reforms to limit the reach of union officials beyond the plants for which they bargain.

Other amendments inclnde that applicants to industrial tribunals who are judged to have a weak case will have to pay a deposit of up to £150; and only workers who have been employed continuously for two years will be eligible to a statement explaining why they have been dismissed.

Charles Leadbeater

COMPANIES LEGISLATION

Official clearance for bids will be quicker

THE NEXT Companies Bill is set to contain a collection of proposed changes prompted by widely differing forces: European Community directives; an initiative to make merger policy work more smoothly; and further efforts to reduce the administrative burdens on business. Hidden in this package are a number of changes which, taken together, will have an important impact on acquisitive companies.

The first and most obvious is tbe decision to enact changes to the Department of Trade and Industry's handling of merger policy. That follows a review last year by consultants from Ernst & Whinney, who were asked to advise the department on ways of reducing the time taken to carry out reviews of proposed takeovers and mergers.

The consultants' advice led to some streamlining of the process for making referrals to the Monopolies and Mergers Commission.

The DTI now says it plans to make three further changes. Bidders will be able to speed np official clearance for bids by notifying the Office of Fair Trading of their intentions in advance; companies will be able to get around a reference to the MMC by undertaking to dispose of any part of an acquisition which raises competition concerns; and bidding companies will have to pay for tbe DTI's administration of merger policy.

Other changes will restrict the freedom of manoenvre of bidding companies. They will be required after an acquisition to show far more information about its effect on their financial results. At present, rules governing the ways companies account for their takeovers leaves room for considerable abnse. Accountants bave warned, for instance, that companies overstate the goodwill they have paid for an acquisition.

That nnderstates their assets and capital in the futnre, improving tbeir reported rates of return. Setting np excessive provisions to cover a reorganisation of the acquired company is also a trick which accountants have warned against: it provides another chance for companies to understate their assets, and enables them to use the provision to increase profits in a lster year when they are found to have been excessive.

The DTI's will force acquiring companies to show the valne they have pnt on acquired assets; they will have to explain when these differ from the valne shown in the acquired comapny's balance sheet.

If acquiring companies are the main focus of the bill, accountants come a close second. In implementing the EC's eighth company law directive, the act will bring in the most radical changes to the conduct of audits since 1947.

First, anditors will be allowed to form limited companies (they are currently required to work in partnerships). Many in the profession fear that this change will destroy the partnership ethos which, they claim, has created a feeling of personal responsibility on the part of auditors for the quality of their work.

A second important consequence of the directive is that the accountancy profession, which has been based historically on auditing, will be brought under the Government's wing. The Secretary of State will be responsible for licensing anditors, and has said that this power will be delegated to the existing professional bodies.

However, he will retain a close interest in their operations. This will involve approving their rulebooks, and will give him the power to force changes to particular rules or even to intervene in disputes between anditors and professional bodies.

Under existing rules, the Secretary of State's only sanction is to withdraw recognition of a professional body, taking away the right of all of its members to conduct audits.

The accountants, who expect to present their rulebooks for approval in the second half of next year, say that their rules will less onerous than those surrounding the Financial Services Act. However, they will have to tackle many of the same issues already faced by financial services regulators, such as how the independence of accountants can be maintained and what arrangements there will be for monitoring performance. Independence rules already exist, though monitoring could be a new, and potentially expensive, departure.

Other provisions of the bill will both add to burdens on business and take them away. For instance, companies will have to disclose how much they pay their auditors for non-audit services – a change intended to warn shareholders when their auditors are more interested in acting as advisars to management than as traditional auditors.

Richard Waters

LOCAL GOVT

Crusade reaches climax

THE final push in the Government's crnsade to reform local government finance is contained in the Local Government and Housing Bill, which extends changes begun with the replacement of rates by the community charge, or poll tax.

It seeks to make local authorities more accountable and to make more efficient use of resources – motives questioned by opposition parties and many local government associations in the belief that the intention is to take power away from local councils, centralising it in Whitehall.

The Bill recasts local authority capital finance; introduces substantial changes in housing finance; proposes a new system of home improvement grants, and implements some key elements of the 1986 Widdicombe inquiry into the condnct of local authority business.

Its most important proposal affects local anthority capital controls: control on axpenditure will be replaced by a control on borrowing and all forms of credit.

In addition, most present and future capital receipts will have to be set aside for the redemption of debt or to meet future commitments – but authoritias will be free to finance capital expenditure from ravenue, and from receipts not set aside for debt redemption.

Capital spending by local authorities in England and Wales amounts to £6bn a year. The scale of debt has risen from £34bn to £45bn in the last seven years.

Initially, up to 25 per cent of proceeds from council house sales (against the present 20 per cent), and 50 per cent of other capital receipts (against 30 per cent now), will be available for new capital spending, with no restrictions on when the money is spent.

Changes in housing finance follow proposals published on July 27 1988. Discretionary transfers between a local council's housing revenue account and its other accounts will no longer he allowed. Authorities will have to budget in order to avoid a housing revenue account deficit.

- The Government intends to introduce legislation to ensure that home improvement grants will be targeted towards poorer people in most need of assistance.

In all cases the amount of grant paid will take into account the ability of individuals to fund the work

Richard Evans

JOBS

What 'leaner cats' live on across the world

By Michael Dixon

EVERY time this column publishes pay indicators, some reader somewhere almost always responds with a certain challenge.

When expressed politely, the challenge reads: What about the workers? But more often than not the messages are couched in ruder terms. Their burden is that, when giving data on pay, I think only of the "fat cats" who rule over the working world, ignoring the leaner majority scratching a living below.

In my view, the charge is unjust. The reason for the indicators' bias towards the more highly paid ranks is that those are the ranks on which the main pay surveys available concentrate.

Today, however, we have an exception. It is a study of prices and earnings around the globe made every few years by the Union Bank of Switzerland with the help of its international branches and associates. As well as giving comparisons of living costs in 52 large cities, the latest version sketches the money rewards of typical holders of a dozen different types of job in each place. And, unusually, the workers covered are all relatively modestly paid.

The rewards of three of them in 22 cities are outlined in the table above. The first – who in most cases is the best paid of the 12 – is a manager of a production department with at least 100 staff in a fairly big metal-working company. The other two are a primary school teacher, and a secretary. Anyone wanting information on the rest of the jobs and cities studied can obtain the survey report free of charge from the Union Bank's WIDO department, Bahnhofstrasse 45, 8021 Zurich, Switzerland; telephone (01) 234 2434.

City	Production department head: Gross pay	Net pay	Buying power	Primary school teacher: Gross pay	Net pay	Buying power	Secretary: Gross pay	Net pay	Buying power
	£	£	£	£	£	£	£	£	£
Luxembourg	29,977	21,234	*25,315*	18,496	14,826	17,675	13,414	9,884	11,783
Hong Kong	18,138	15,152	*21,104*	7,549	7,168	*9,984*	4,996	4,670	*8,505*
Geneva	36,494	24,601	*19,438*	31,118	22,754	*17,977*	16,998	14,228	11,241
New York	31,606	19,279	*19,279*	14,120	11,024	11,024	11,024	7,820	*7,820*
Brussels	35,082	17,324	*18,971*	11,567	7,768	*8,504*	12,382	7,766	*8,504*
Copenhagen	41,870	22,374	*17,518*	15,369	8,961	*7,018*	15,803	9,232	*7,229*
Düsseldorf	30,086	15,672	17,422	14,771	11,785	*12,315*	13,740	8,689	*8,080*
Amsterdam	23,895	14,174	*16,565*	13,957	9,667	11,298	10,970	8,571	*7,680*
Sydney	21,180	12,925	*15,443*	12,328	8,526	10,187	8,906	8,625	*7,916*
Vienna	25,361	15,043	15,132	10,210	7,114	7,156	10,807	*7,277*	7,320
Tokyo	39,644	29,651	*15,013*	24,003	19,659	*9,954*	11,187	9,504	*4,812*
Toronto	18,953	12,382	14,200	18,301	11,676	*13,390*	10,210	7,440	*8,532*
London	20,419	14,011	*13,960*	11,350	8,309	*8,279*	11,622	8,092	*8,063*
Singapore	18,818	11,187	*13,442*	4,399	3,204	*3,850*	6,354	4,507	*5,418*
Dublin	24,112	13,522	*13,423*	12,436	8,123	*8,057*	7,494	5,105	*5,068*
Paris	15,803	12,165	*12,756*	8,395	7,768	*8,143*	9,992	*7,277*	*7,630*
Milan	15,314	10,318	*11,608*	8,395	7,440	*8,370*	8,961	8,408	*7,209*
Helsinki	25,633	14,826	10,723	14,120	9,069	*6,559*	10,481	7,277	*5,263*
Stockholm	*26,393*	*12,979*	*9,969*	12,382	8,037	*6,173*	10,427	7,006	*5,381*
Oslo	21,342	8,037	*5,574*	12,219	5,865	*4,068*	11,730	5,322	3,691
Madrid	*8,408*	5,105	*5,277*	8,232	7,114	*7,354*	*5,268*	*4,290*	*4,435*
Lisbon	4,127	3,258	*4,686*	4,290	3,476	*5,000*	3,747	3,041	*4,374*

The folk in the manager's job are of identical type no matter what city they work in. They are technically trained and have several years experience, aged about 40, and married but have no children. The teaching jobs in every place are also done by a uniform type of people, although they are different from the managers. They hava taught in publicly funded schools for 10 years, are around 35 and married, also without children. The secretaries, again identical types whatever the city, are 25 and single, fluent in one foreign language as well as trained in shorthand and typing, and have some five years experience in the work.

In each case the table starts with the job-holder's gross pay received in money, including bonuses and the like as well as salary. Next comes the net pay after account is taken of the tax and other deductions and allowances applying to the particular type of person in the place in question.

Then we have what the net pay will buy in terms of a "basket" of commonly required goods and services, excluding housing, whose prices are standardised on those in New York at the end of March when the survey was made. The currencies have been converted into sterling at the exchange rates of the same date, when £1 = US$ 1.8414.

Such estimates of buying-power cannot be more than loosely approximate, of course. The relative positions are further blurred by the different characteristics of the people doing the three types of job, not to mention the fact that teachers are in most cases are expected to put in fewer hours than the other two. But the pattern of the results contains several surprises for me at least.

One is that, although the London production head's position will have been improved by the tax cuts announced in Britain's April budget, it is still lower than I would have expected in the international league.

Another surprise is the variances in the positions of the primary school teachers. In Lisbon and even more so Madrid they are better paid even than the production managers in charge of 100 staff. But in Brussels, the typical 35-year-old married teacher apparently only ties for purchasing power with the unmarried secretary 10 years younger, whereas in Copenhagen, Vienna and Singapore the teacher is the worst off of the three.

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MANAGEMENT

Are civil servants 'all managers now'?

Hazel Duffy assesses the success of mechanisms devised to measure the performance of Britain's bureaucracy

The civil service in the UK does not have a bottom line. How, then, can its performance be measured?

This has been part of the challenge that has haunted Whitehall since the Fulton Committee reported 20 years ago: how to introduce the management skills of the private sector into a bureaucracy which, even after the Thatcher cuts, still employs 580,000, and which is not subject to the disciplines of the market.

Several mechanisms have been devised:

● **The Executive Agency:** This is the most recent idea to come out of the Ibbs report, "The Next Steps", which the Prime Minister endorsed last February. The plan is that a degree of management responsibility – just how much has yet to evolve – is given to the people who run some of the services within the government domain. They will be a bit like companies within a group, with their own chief executives.

The agency idea is being watched with interest by countries which have civil services based on the Whitehall model.

● **Financial Management Initiative:** It was from this that the agency idea grew. As its name implies, the FMI has concentrated on the financial side of managing, giving more control over budgets mostly to middle-ranking civil servants. It was intended to apply right across the civil service. Although not stated explicitly, it was to be the key to change the culture of Whitehall.

Implementation of the exercise has been frustrated on several fronts. The Treasury was reluctant to loosen its reins. Many departments' permanent secretaries - the top civil servants – were less than enthusiastic.

● **The Efficiency Unit:** This pre-dates the FMI. It was set up by Margaret Thatcher under Sir Derek (now Lord) Rayner, to identify savings in specific areas. It was also responsible for The Next Steps.

● **MINIS:** This was the management information system set up by Michael Heseltine first in the Environment Department in 1980, followed by the Ministry of Defence, and later other departments. It was an ambitious attempt to give politicians and civil servants the information needed for effective management.

Perhaps it is not surprising that this plethora of initiatives – none of them so far an outstanding success – has left some civil servants confused, and sceptical, about the whole process of management.

Sir Robin Butler, head of the home civil service as well as secretary to the Cabinet, speaking recently to the Institute of Personnel Management, said: "We have sought to change the whole emphasis of management from something which is looked after by a few people in the centre of the department to something which is the responsibility of everyone. To adopt a famous phrase, 'we are all managers now'."

Perhaps he is right. The quality of management, however, is something else. The conditions for good management frequently do not exist in the civil service.

Some of these difficulties emerged at a recent workshop on performance management which was organised for a group of senior civil servants by the Royal Institute of Public Administration and the PA Consulting Group at Sundridge Park Management Centre.

The chairman was Sir Kenneth Stowe, former permanent secretary at the Department of Health and Social Security, and author of an unpublished report on the machinery of government prepared for the Prime Minister. "Performance management is not about structures but about the processes that go on inside them," he said at the start.

Papers were delivered on topics which included the approach to performance management by the Trustee Savings Bank; the experience being gained by the National Health Service, which is deliberately using performance-related pay, individual assessments, short-term contracts to induce major cultural change in its higher echelons; and the challenge of setting up a sophisticated management information system which is being addressed by the Employment Service – a merger of two distinct organisations, the Unemployment Benefit Service and the Manpower Service Commission's Employment and Enterprise Group.

The discussions following the papers revealed that there is no shortage of interest on management issues. "We would never have had discussions like these a few years ago," one official remarked.

But they also highlighted several issues, some fundamental, some more specific, which demonstrate the difficulties of bringing about major cultural change in the civil service.

● The leadership vacuum at the top management level: people spoke of their seniors – those who they looked to for a lead – as "detached", "lacking commitment to change", and "without vision of where the department ought to be."

● Scepticism that private sector management models of change could be applied to the public sector. How, for instance, to involve and consult employees when a new management project had to be kept under wraps until the last moment for security reasons?

● How to persuade middle managers in the civil service that the new scheme of management being introduced did not imply that they had been doing their job wrongly before?

The agencies plan provided a focus for several of the points thrown up by earlier attempts at change:

● Agencies imply a new approach towards service, to look much more at what the public wants, and not just at how to make the service give better value for money. But this could have implications for public spending. For instance, if the manager of a social security office is given the freedom within his overall budget to take on more people, to cut down queues at peak times, demand for the service is likely to increase. That would lead logically to a bigger spending bill as people come forward who are not prepared to put up with the current discomforts involved in claiming their rightful benefits.

● Will the centre – the minister, the department – let the reins go, leave alone the chief executives of the new agencies so that they can get on with the day-to-day management?

● How much freedom will they be given to recruit and pay according to demand for their service? How will this be managed within the traditional methods of nationally negotiated pay, and recruitment, across the whole of the civil service?

Questions like these will go on being asked for as long as senior civil servants – most of whom did not join the civil service "to be a manager" – grapple with the peculiar problems posed by the public sector.

Lord Armstrong, who retired as head of the civil service last year, showed how the tardiness at the top came about in a recent lecture on "The Civil Service we deserve".

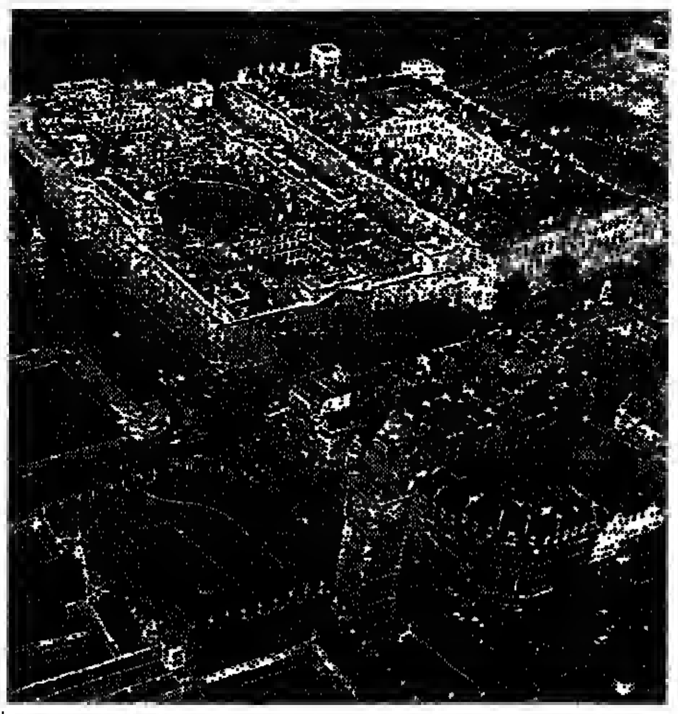
"Those responsible for the service are bound to be fearful of imposing management changes of a kind and at a pace which may, at any rate initially, demotivate, those affected and distract them from the main tasks. The business goes inexorably on, and it is impossible to take the car off the road while you decarbonise the engine."

The business that Lord Armstrong was talking about was "political deadlines", "the pressure of events", not management. It revealed one of the big problems of making the civil service more management conscious – that top officials have almost no experience of management. The next generation – the under 50s – will at least have more understanding of the issues.

The discussion on agencies pointed to the need for a lot more thinking. Two have been set up so far, many more are in the pipeline. They should not be seen, however, as an end in themselves, said one speaker.

The Prime Minister's determination to reform the civil service has met with its critics, notably those who think far too much emphasis has been put on efficiency and too little on service.

There was a timely reminder from Sundridge Park that the current preoccupation with the executive agencies, and efficiency, should not obscure the importance of examining policy. Gillian Banks, Director and Registrar General, warned that if the new civil service could not find a place for "true policy analysis . . . the future functioning of the public sector in this country, both as a provider of some services and as a regulator of the private sector, may be superbly efficient but will certainly not be as effective as it should."



Glyn Genin

Whitehall: the key to changing the culture was to give more control over budgets to middle-ranking civil servants

Japanese management

Scotching the cultural myth

By Christopher Lorenz

Some so-called experts on Japanese-style management claim that it will never work outside Japan because it depends on that country's famously homogeneous culture.

Others call this nonsense, and point to the astounding productivity improvements which have been created outside Japan by putting workers in red jump-suits, teaching them the company song, and calling them "associates" instead of machinists, painters or whatever.

Both breeds of pundit have got it wrong, according to Chalmers Johnson, a professor at the University of California in San Diego. Japan's management effectiveness has much less to do with its own culture than with its ability, as a latecomer to industrialisation, to learn lessons the west had forgotten, he argues in an article on "Japanese-style management in America", published in the California Management Review*.

Johnson's article is the latest in a lengthening line of publications from various authors propounding the argument that many "Japanese" techniques (often originally borrowed from the west) can actually be applied around the world with just a touch of adaptation and care.

The article is notable not only for the succinctly provocative way in which it seeks to demolish several evidently invalid myths about the subject, but also for its unwitting perpetuation of an especially hoary one – that "Japanese management" has more to do with labour relations than with relations between different levels and types of manager.

Arguing that "management is something that can be taught and learned across cultures," Johnson points out that South Korea, Taiwan and the other Asian countries have learned from the Japanese in recent years, just as the Japanese learned from the west beforehand.

Despite all the evidence that Japan's postwar economic feat has been duplicated elsewhere, the Japanese continue out of pride to attribute it to unique cultural traits, Johnson maintains. The Americans, in turn, "continue to make the same sort of claims about Japan because it allows them to avoid the implication that they may be losing their ability to compete."

"Culture actually had almost nothing to do with the high-speed economic growth in Japan, South Korea, and Taiwan," argues Johnson, except in the negative sense that it was not an obstacle to economic development.

"Mainland China, with a culture utterly different from that of Japan, seems to be the latest nation to adopt modern management techniques . . ." he maintains.

Stressing that he does not dismiss the influence of culture entirely, Johnson admits that Japanese management methods cannot be transferred readily to the US without modification.

At the time his article was written at least six different anti-discrimination suits were pending in California's Silicon Valley against major Japanese and Korean companies. Some alleged discrimination of the sexual variety, others racial.

Much of this legal wrangling revolves around a US-Japanese treaty in 1953 which gave Japanese companies operating in the US the legal right to engage in discriminatory employment practices in favour of Japanese managers and executives. This was partially rebutted by a Supreme Court ruling in 1981 that the Sumitomo Trading Company had discriminated blatantly against the 1964 Civil Rights Act by discriminating against American women.

As Johnson reports, some Japanese companies operating in the US have become so shy of being caught in this legal crossfire "that they will not promote *any* Americans, men or women, into their executive ranks."

By failing to explore the issue of Japanese-US management relations any further than through this brief reference, Johnson fails to get to the heart of his subject. As many Japanese companies are finding as they expand their operations around the world, it is problems between local managers and their Japanese superiors, rather than with lower-level factory and office employees, which is the real stumbling block to the full-scale export of "Japanese management".

**Vol 30, No 4. Address: 350 Barrows Hall, University of California, Berkeley, CA 94720, USA.*

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TECHNOLOGY

A clear path out of the paper maze

Clive Cookson reports on two of the world's most ambitious geographic information projects

British Telacom and British Gas hava embarked on two of the most extensive digital mapping projects in the world. Over the next five years each company plans to spend about £40m recording the position of its distribution plant – pipes, ducts and cables – on large-scale computerised maps.

The projects are particularly ambitious examples of the geographic information systems (GIS) being introduced by utilities world-wide to replace traditional paper maps and plant records. BT will eventually be able to throw away more than 500,000 paper maps and cable diagrams, which are now maintained and updated manually by 1,800 people at a cost of £24m a year.

But the promised benefits extend far beyond the savings of time and money made possible by the computerisation of a manual system. "GIS is much more than computerised mapping," says Kevin Crawley, head of distribution engineering at the Electricity Council. "It enables you to interrogate a map and extract information in a way that has not been possible before."

"For a utility, or any other organisation with assets distributed across different locations, GIS will become an invaluable tool for asset management," says Richard Nicholson, a mapping expert with Digital Equipment Corporation (DEC), the US-based computer company which is prime contractor for the British Gas Digital Records System. "It can be used for planning, showing where there is overcapacity and undercapacity and where the network needs maintenance and replacement. And if it's tied into the customer information system, it can also become a very powerful marketing tool."

Another US company, Intergraph, is supplying British Telecom's system. This will compnterise all BT'a "line plant records", including maps of overhead lines and underground ducts, details of the cables and wires inside them and the location of associated equipment, such as street cabinets, junction boxes and telephone poles.

The first requirement of GIS is a basic digital map on which the user's records can be superimposed. In the UK, large-scale maps come from the Government's Ordnance Survey, which has so far digitised only a quarter of its 230,000 paper sheets. However, OS is concentrating on digitising the 1:1250-scale maps covering towns and cities, which are more important to most GIS users than the 1:2500-scale rural maps. According to the latest OS schedule, all 55,000 urban maps will have been digitised by 1992.

This year BT agreed to help speed up the programme by employing its own contractors to digitise OS maps which would not otherwise be ready on time. British Gas expects to do the same.

Taywood Data Graphics, part of the Taylor Woodrow engineering group, is a digital mapping contractor working for OS and BT. Taywood uses a semi-automatic Lasertrack digitiser, made by Laser-Scan of Cambridge, England, with a line-following device. The operator starts with a photograph of the map projected on to a large screen and points a fine laser beam at the start of a line – say, a road or contour. Then the laser automatically moves along the line, converting its co-ordinates on the map to computer digits. When the operator confirms that the line has been scanned, a second laser obliterates its image from the screen and the operator moves on to the next one.

"But we can't do everything on Lasertrack," says Richard Mason, general manager of Taywood Data Graphics. "When we get down to small features, such as complex buildings, it's easier to do manual digitising." What happens is that the larger curves and lines are scanned automatically and the process is finished off by moving a hand cursor over the map on a digitising table.

Once the basic map is available on computer, GIS users can normally superimpose their own features with less specialised graphics equipment, such as Intergraph or DEC workstations.

The BT system displays geographic information in two ways. The first, known as "plant on map", is a spacially correct representation of underground ducts and overhead telephone lines overlaid on an OS map.

The second – the cable diagram – shows the cables and their connections in more detail. This is a stylised representation in which the twists and turns of the route are smoothed out for the sake of clarity, as in the London Underground map.

Although the mapping information comes from 1:1250 and 1:2500 paper sheets, it is not confined to those scales in the GIS computer. When BT's system is complete, it will be possible to start by viewing the trunk network over the whole country and then zoom in on a particular region, town or individual street. As the scale is increased, more details become visible on the computer screen.

However, there is little point in blowing up the map beyond its original scale, because the original inaccuracies would be magnified. George Cole, head of the BT Computer Graphics Unit in Glasgow which is managing the GIS installation, says that the map will show correctly whether a duct runs under the left or right side of a road, "but we cannot guarantee whether or not it's within a metre of the footway." The level of accuracy will increase as the information copied from old paper maps is supplemented by new data entered directly on to computer terminals.

BT has started to implement GIS in three districts (Glasgow, Cardiff and the City of London) and the process of digitising plant records nation-wide is dne to begin in the spring. When the first phase of tha project is finished two years from now, Britain's principal commercial centres and the trunk corridors between them will be on the system.

It will take another fiva years or so for BT to convert the whole country to GIS. Eventually the network will have about 400 Intergraph workstations, divided between the 28 BT districts, with central processors (VAX 8810 computers) at Wolverhampton and Bristol.

The British Gas GIS network, which uses software from Synercom, a Texan company, running on DEC computers, will combine maps of 255,000 km of gas mains, now recorded on 90,000 OS sheets, with alphanumeric records – facts and figures about the gas *distribution system* that are already held on computer.

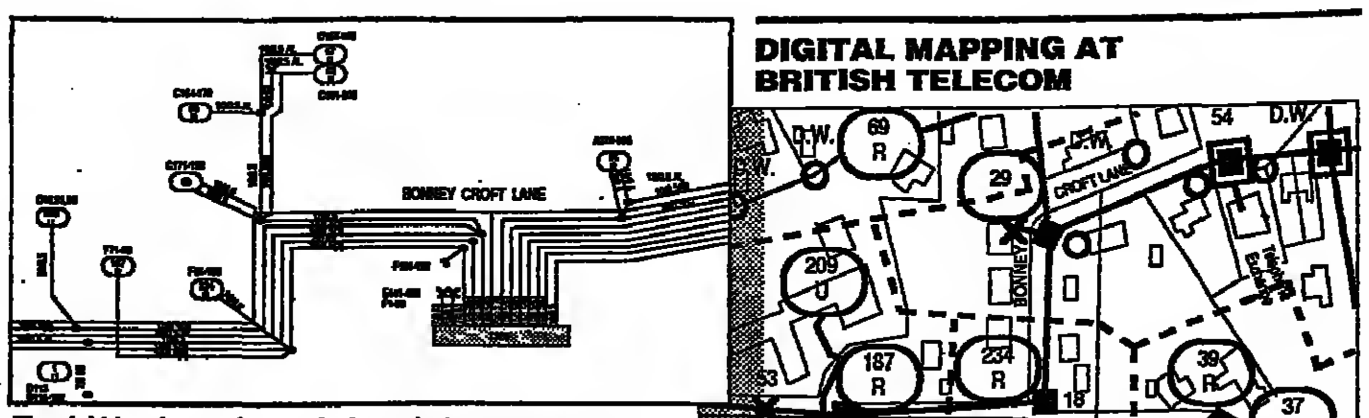
The anticipated benefits of GIS for the utilities include:

- Much faster access to up-to-date information. Before engineers go out to work on underground plant, their local GIS terminal will print out fresh copies of all the maps and diagrams needed – at present there is often a long search for out-of-date paper records. As soon as they have done the job, the engineers will update the computer records, including information that is not normally present on paper maps (such as the hardness of the rock under the street).
- More efficient exchange of information between utilities and highway departments. GIS users have agreed common standards for interchanging compnter information before carrying out any roadworks and a trial is under way in Taunton, Somerset. The aims are to avoid one utility damaging another's underground plant and to co-ordinate the road-digging work.
- Better planning. GIS assists both short-range planning (for example, deciding how to lay on a new telephone line to a particular house) and long-range planning (such as achieving the best possible flow rates throughout the British Gas distribution system). Through computer graphics, engineers can simulate changes and see their effects on the system.

BT and British Gas have so far justified their investments in GIS in terms of engineering benefits. But in the long run the utilities expect to link their customer records into GIS to give them a powerful marketing tool, because they will be able to see how the spending power of their customers is spread geographically.

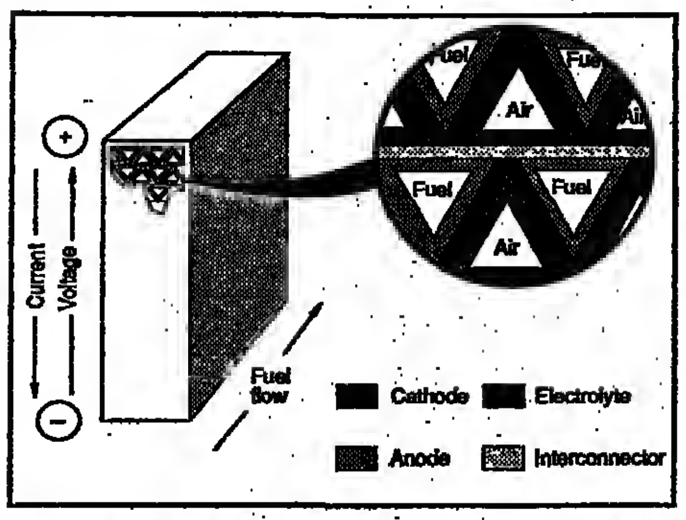
The use of GIS for market analysis was examined on the Technology Page on November 16

DIGITAL MAPPING AT BRITISH TELECOM



The right-hand map shows telephone ducts superimposed on a large-scale map of part of Aberdeen. The left-hand diagram gives details of the individual cables inside the ducts

Fuel cells within one step of more efficient power generation



Argonne's monolithic fuel cell, with its ceramic parts arranged in a compact, honeycomb-like array

A bank of red-hot fuel cells could form the core of a future coal-fired power station, operating at up to 55 per cent thermal efficiency, according to John Young of the Argonne National Laboratory, near Chicago, in the US.

Addressing the recent International Scientific Forum on Energy Challenges, in Washington DC, Young described how three advanced energy concepts might be united in a compact system of power generation, 50 per cent more efficient than current fossil fuel-fired plant.

The three components would be a coal gasifier, such as a pressurised fluid bed, fuel cells running at up to 1,000 deg C and a gas turbine driven by the exhaust from the fuel cells. According to Young, the cell should be thought of as a hydrogen-fuelled battery, converting the fuel directly to electricity.

Some types are said to be close to a commercial product, such as the phosphoric acid fuel cell. But its operating temperature of between 175 and 225 deg C is far too low for Young's integrated power plant. He favours the solid oxide fuel cell, operating at 900 to 1,000 deg C and fuelled by a hydrocarbon gas.

Because its electrolyte is a solid, such a fuel cell could run for years unattended, whereas liquid-electrolyte cells need to be topped up. The anode is of nickel mixed with various oxides and the cathode resembles the newly discovered superconducting ceramics.

The US, Europe and Japan have all produced variations on the solid oxide fuel cell. The most fully tested is a Westinghouse Electric design which has been with two Japanese electricity companies for the past year.

This design involves a sturdy tubular assembly in which fuel gas pumped into porous tubes diffuses through the cell structure, setting up a potential difference of 0.6 to 0.7 of a volt per cell. Cells are coupled together to raise the voltage.

But Young believes that the high power densities demanded of commercial power plant require a more compact design, such as the monolithic solid oxide fuel cell. This has a sandwich of several ceramic layers, each about 2 mm thick and honeycombed to allow the passage of fuel and release of exhaust gas. Its high heat transfer capacity permits rapid changes in demand on the battery.

But Young acknowledges that the monolith still has manufacturing problems. Some of the layers in the ceramic sandwich must remain porous, while others have to be dense to get enough conductivity.

Fabrication techniques hava reached the point where the different densities can be bonded strongly. What remains is to achieve an integrity throughout the sandwich commensurate with a long life. Cracks remain a serious problem.

The first monolithic solid oxide fuel cell was demonstrated at Argonne in January 1986, but at a low voltage and current density. Since then tha concept has been pushed close to the theoretical cell performance. The laboratory – with Combustion Engineering, the power plant group, and Allied Signal Aerospace of California – is now concentrating on cell integrity and higher production yields.

The magnitude of these remaining problems can be ganged from Young's estimate of another five to 10 years before large modules of the monolithic solid oxide fuel cell will be available commercially.

Combustion Engineering is involved in another high-temperature fuel cell, the molten carbonate cell. This is nearer to market, perhaps only three years from a multi-kilowatt demonstration, but its operating temperature is lower, between 650 and 700 deg C – dull red heat.

The molten carbonate cell has a liquid electrolyte, but electrodes of similar material to the solid oxide cell. With M. C. Power Corporation and the Institute of Gas Technology, Combustion Engineering has developed an inexpensive way of casting large areas of electrode on paper-making machinery. This means that the cells can be assembled in large stacks.

Prospective customers in the Japanese electricity supply industry have been running fuel cells in stacks up to 1 metre square and 2 m deep.

David Fishlock

ARTS

TELEVISION

Whose State is it anyway?

Christopher Dunkley discusses the tensions between politicians and broadcasters

The belief that journalists, and especially broadcasters, are arrogant is widespread. The urge to squash their supposed bumptiousness is a common characteristic of MPs who, being elected, are often infuriated when their actions are questioned or criticised by unelected journalists. It is impossible to know to what extent the Conservative attack on the BBC (over *Real Lives*, Zircon, Libya) and now on ITV, via the White Paper, is fuelled by a desire to come down hard on journalists who have, over and over again, endeavoured to expose the human fallibility of politicians. It is not impossible, however, to guess.

Tension between politicians and journalists is nothing new, and can be healthy. Today many members of the public may feel that broadcasters have been going too far, and may side with politicians (not, incidentally, all politicians, but the predominant group at present) in decrying the supposed arrogance of broadcasters, and calling for a rearrangement of the relationship between the first estate of the realm and the fourth.

Two recent events however, suggest that matters are moving dangerously far and fast in that direction. The first is the Government's "requirement" that broadcasters cease to allow members of certain organisations in Northern Ireland, or their supporters anywhere in the world, to be seen and heard speaking on television or radio. The second and more recent is the article in this week's Sunday Telegraph entitled "The BBC: Its duty to the State" written by Noël Annan. Lord Annan was not only the chairman of the committee on The Future of Broadcasting which in 1977 produced the much admired "Annan Report," he is also widely regarded as a pillar of the liberal establishment. To find him lending weight to those attacking broadcasters is deeply disheartening.

It is difficult to provide a brief yet fair summary of a closely-argued 1,200-word article. However, the most important assertion is contained in the headline: that the BBC owes a duty to the State, the capital "S" being Annan's. A couple of quotations indicate the general drift:

" . . . the State is something quite different from the Government . . . the State is our nation: Monarchy, Parliament, Judiciary, Ministries. It is the entity which demands our loyalty . . . Each of us owes duties to the State because it is the State which defines and sustains our rights through the laws of the country.

"If we look at recent, major rows about broadcasting, they tend to be about issues which concern the State: Northern Ireland, the Falklands War, and the security services . . . In the Falklands War, the BBC got into trouble for being ostentatiously neutral. Here is Mr Peter Snow: 'After two days, we cannot demonstrate that the British' ing) do not take unto themselves the right to adopt a viewpoint outside the boundaries . . . Argentines clearly have' . . . And Mr John Wilson, the head of BBC Radio News . . . circulated a memo that ran: 'When we say *our* troops, *our* ships, we sound to people as if we were the mouthpiece of government. We are not Britain. We are the BBC.' I wonder whether Mr Wilson ever thought about what the first initial of BBC stands for . . .

"The BBC *cannot* be impartial when British soldiers and sailors are in action and suffering casualties against an aggressor . . ."

This, surely, is profoundly and dangerously wrong. Not only can the BBC remain impartial under such circumstances (meaning editorially impartial, and not implying that individual journalists should feel no sorrow or pain at the loss of their countrymen) but it was just such impartiality which gained the BBC its worldwide reputation for honesty and dependability during World War II. Through-

Recent major rows about broadcasting have tended to be on issues which concern the State: security services, Northern Ireland — and the Falklands War, when the BBC got into trouble for being neutral

out that war the BBC studiously eschewed "our troops," and "our ships," and behaved, as far as humanly possible, like a neutral onlooker.

It is at precisely those times when "Monarchy, Parliament, Judiciary, Ministries" are most unanimously in agreement on some urgent matter of national policy — opposing a national strike, sending troops into Suez, preparing a South Atlantic task force — that the citizen of a free country is most in need of the journalist who stands aside from the herd, turns his ear from the chorus, and offers a report which is, as nearly as possible, wholly impartial. If the stance necessary to achieve that looks "arrogant," so be it.

During the Falklands war there were plenty of journalists who clearly shared the Annan view of the seamless web of national identity: "Gotcha!" squeaked the Sun when the Belgrano was sunk. Is that really what Peter Snow should have said? His statement about lying may have been infelicitously phrased, but journalism is life on the run, and allowances for poor phraseology must be made. Snow's spirit was absolutely right.

As for the rhetoric over the first initial of BBC, that takes us up some very murky alleys. Should journalists in the SABC endorse apartheid because of *their* initials? Was it the duty of all German broadcasters to support democratically-elected Adolf Hitler? If British journalists (especially those employed by the non-commercial BBC which is, remember, Britain's primary source of broadcasting) do not take unto themselves the right to adopt a viewpoint outside the boundaries of the State, then the British citizen may easily find himself in the same position as the subjects of totalitarian regimes: supplied only with those bits of information which suit the State. In other words, propaganda.

Perhaps the arrogation of that right *is* arrogant, but if so that arrogance is a small price to pay for one of the most valuable checks and balances available to inhabitants of a free country.

If the agonies of Ireland are ever to be brought to an end, then we need to know not only what is going on there, but why, and the minimum requirement must be that we are allowed to see on our screens and hear on our radios the representatives of all legally recognised organisations, including Sinn Fein and the Ulster Defence Association, speaking for themselves.

A Machiavellian politician who truly believed in the weakness of the IRA case might have turned this latest, abominable requirement upside down and challenged the IRA to stop its murderously evil and disgusting campaign and use the facilities of free speech via the mass media to convey its views, provided it neither organised nor laid claim to any more terrorist outrages. We cannot, of course, really expect that sort of imagination from politicians but we are surely entitled to expect something better than the hypocrisy represented by this new "ukase" (Annan's interesting word: "an edict of the Russian Tsar").

It is the same sort of hypocrisy as that of Mary Whitehouse who exposes herself to all that dreadful violence and sex knowing full well that its effect upon her will be to make her hate it more and more. She is convinced, however, that the rest of us are so thick that on us the effect will be the exact opposite: while she can see through it all we shall be fooled and seduced and corrupted.

The Government's argument is entirely similar. If Gerry Adams was really as dangerously persuasive and credible as Mr Hurd implies then by now Mr Hurd (who must, presumably, have made a close study of all Adams' broadcasts before inventing the new rules) would himself have been converted to the Sinn Fein cause. Instead, the more Gerry Adams appears, the more appalled and outraged Mr Hurd becomes, and the less sympathy he has for terrorism. What then, do the new rules tell us about Mr Hurd's view of us? We, it seems, don't have his ability to see through Mr. Adams, we shall be fooled and seduced and corrupted.

What is the British government going to say when the South Africans demand that the ban be extended to Bishop Desmond Tutu on the grounds that he, too, is being used as the legal mouthpiece for proscribed terrorist organisations? What will they say when the Russians explain that their dissidents are merely a front for far more sinister forces and, as such, their unconventional views should be suppressed by British broadcasters?

More than 100 years ago Robert Louis Stevenson wrote: "One gets more real truth out of one avowed partisan than out of a dozen of your sham impartialists — wolves in sheep's clothing — simpering honestly as they suppress documents. After all, what one wants to know is not what people did but why they did it — or rather, why they *thought* they did it; and to learn that, you should go to the men themselves. Their very falsehood is often more than another man's truth."

Alastair Muir

Ian McKellen and Jane Asher

Henceforward

VAUDEVILLE THEATRE

Nobody can be as funny as Alan Ayckbourn, or as frightening. This bleakly hilarious vision of the near future where the wastes of Edgware are roamed by female Hell's Angels and Kilburn is placated with armed patrols chills and cheers me on its West End advent as it did on the master's home territory of Scarborough.

The missiles hurled at the welded iron shutters sound a death-knell for society while in his high-tech eyrie the composer Jerome records, synthesises, transmutes everyday noises and the most private of sounds into music. His immediate problem is to present an acceptable domestic façade to his acerbic ex-wife and the officious bureaucrat from the department of child well-being so as to win part-custody of his teenage daughter.

The aspirant actress from the escort agency hired to convey stability, after initial instruction, is repelled by Jerome's obsessional treatment of life, even love, as grist to the aural mill, as every room is wired and every sound recorded. Jerome is forced to improvise with a domestic android, the robotic NAN300F, whom he remodels with a Mary Pickford blonde wig into the desirable Zoe.

So far so funny, along the lines of all animated doll-jokes from Dr Coppelius onwards. As the grey-bunned mechanical NAN300F Jane Asher, jerkily bright, waxen of complexion, gives the most unnervingly convincing portrayal of a robot any human actor could possibly hope for. Through the shadows that now fall across all Ayckbourn comedy can be discerned the ruthless moralist the author has become. Man's incompetence with the physical and mechanical is an often farcical streak in his work. Here man seems to have tamed technology; but at second glance it has taken over. The comedy pinpoints the contrast, and the insidous links, between the deliberate dehumanisation of creativity and the wilful inhumanity of the creator — who finally fails to think of any reason why humans are preferable to machines.

Jerome is an artist, in fact. His final choice, as his family are seen on the entry-video calling him and fighting off the encroaching violence, is to distort the sound of the spoken word "love" and expand it into electronic music, as intent on his keyboards as any operatic phantom, his only company the extinguished robot. The obverse of the powerless nearfarce of misunderstanding, cross-purposes and emotional inadequacy is isolation; and the final image, on a stage as dark as the equally isolated world of the poor *Woman in Mind*, is as disturbing as any in Ayckbourn's recent increasingly black *oeuvre*.

Before we reach it there is marvellous comedy to be enjoyed under the author's direction. Serena Evans remains, blissfully, from the Scarborough cast. As the actress she could savour the timing more expansively; as the remodelled android she is still superb. The highest praise I can give Ian McKellen is to say that the part of Jerome seems to play itself: a detailed study of boffin-cum-fanatic, with the charm to order, the off-hand awareness of human needs and the questing self-absorption of a Lancashire-accented Faust in the sinister cabbalistic study provided by Roger Glossop's brick and metal set. As the bureaucrat with his own personalised high-tech where his heart should be the usually excellent Michael Simkins is not as richly awful as his Scarborough predecessor — whose self-righteous whine combined with arriviste cockiness suggewsted the Caring Professions were now the territory of Thatcherites on the make. A bleak vision indeed.

Martin Hoyle

The Madwoman of Chaillot

LILIAN BAYLIS THEATRE

The troubled Lilian Baylis Theatre, £150,000 down on its inaugural season after a directorial rumpus causing its main backer to pull out, soldiers into a second production that is proof of the value of this sort of venue — small but high profile, and preferably minus financial supporters keen on pulling artistic strings.

It seems an extraordinary reflection on the existing British theatre establishment that Giraudoux's 1943 masterpiece has been so long relegated to the other side of the channel — especially when its message of money versus humanity is so high on the current artistic and political agenda.

Written during the German occupation of France, and here adapted by Maurice Valency, it is framed as a satirical fantasy involving a plot by a café society of financiers, brokers and prospectors to drill for oil beneath Paris itself, sweeping aside the "memory, history and human intimacy" that comprise that tiresome obstacle, civilisation.

The madwoman (Eleanor Bron), a countess whose insanity is in essence an environmentalist common-sense, summons her dotty friends to place the money men on trial, engaging a humble ragpicker (Jayne Ryan) in defence of an establishment that stands pre-condemned by its own greed.

The old idea of foolish wit is taken to new lengths, affording some acutely funny lines along the way as Eleanor Bron's Madwoman — a cross between Miss Haversham, a witch and a ghost ship, rigged with buttons and beads — billows about the stage blithely ignoring assurances that, these days madam, every cabbage has a pimp.

Ms Bron gives a fascinating, regal performance which captures the paradox of a woman whose romantic refusal to accept that "the world is not beautiful any more" is offset by a canny eye for the difference between ermine and mere rabbit, and whose ramblings about her daily routine can hold a young forger (John McAndrew) in starry-eyed admiration.

Nick Hamm, the director brought in to head the new Sadler's Wells Theatre Company, who took over the production two weeks into rehearsal, was fortunate to inherit a cast of such quality and cohesion, although there are as yet inconsistencies in the pacing.

Snatches of stock exchange rap give rhythm and excitement to the early plotting of the rogue businessmen, setting up a textural contrast with the fragments of songs crooned by the surrounding beggars. But there is no such leavening in the lengthy speech for the defence, although this later scene is preceded by one of the production's best moments, a tea party hosted by the countess, which gives Selina Cadell and Celia Imrie full rein as the countess's eccentric friends, one a virginal, pouting pudding and other a spoilt adult brat whose imaginary dog all but cocks a leg on the rest of civilisation.

The serious side of their deliberations is underlined by Pamela Howard's design, featuring a magically opening sewer door which yawns open to swallow the miscreants like the gates of a very hot hell.

Claire Armitstead

Falstaff

GREENWICH THEATRE

Falstaff seems to have been Shakespeare's most successful creation with his contemporaries. Like a star from Dallas, he had to be brought back from the dead when Queen Elizabeth expressed a fancy to watch his antics in love.

None of the merry wives of Windsor is included in this cut and paste job by Richard Williams and Andy Rashleigh, who have dovetailed all the major scenes incorporating Falstaff in both parts of *Henry IV*, plus his offstage obit from *Henry V*, into an extended investigation which never quite decides whether he is a fat fiend or a fun person.

It must have seemed a good idea at the time, slicing out all those boring bits about the Welsh rebels, the revolting Scots, Scrope, Worcester, etc, and concentrating on Falstaff's escapades with Prince Hal — the fight with the buckram robbers; the romps with Pistol and Doll Tearsheet in the bawdy house; the final poignant scene when he is dismissed by the new found Henry V.

In the event it all comes out of skelter. You need the politics to give the play meaning; you also eliminate most of the poetry. By the end Messrs Williams and Rashleigh seem to have appreciated the fact and incorporate the famous scene in which Prince Hal tries on his father's crown two minutes too soon. But by then it is too late: we have been surfeited by one-dimensional farce, oddly padded out with a bit of Percy.

Not that Bernard Bresslaw's Falstaff looks anything less than three-dimensional. He is a magnificent figure and dominates the stage. His physical presence is somewhat muted by an uncertain delivery of some of the most celebrated speeches, in this musing on "honour" for example, and by no consistent development of character. We are not as moved as we should be when he falls pole-axed to his knees at the climax, stunned by the collapse of his expectations. Like the production, Bresslaw seems to be groping for consistency, lost without the support of the other scenes.

Carl Proctor is a modern, yuppyish Prince Hal who always seems detached from his mentor, while Michael Rigg as Poins is also aware throughout that their shenanigans are all just childish pranks. Conrad Asquith has the good fortune to play a heavy King Henry IV as well as an exuberant Pistol and a discarded soldier in the Silence and Shallow scene, one of the most effective in this touring production from the Oxford Stage Company.

Richard Williams directs on a flexible stage and the actors, enthusiastically doubling up, make the most of an idea which is diverting, intriguing, but ultimately too restricting.

Antony Thorncroft

Tavener's Akathist

WESTMINSTER ABBEY

For those well versed in the liturgy of the Orthodox Church, an *Akathist* is a hymn of thanksgiving or supplication, reserved for special occasions. John Tavener's 90-minute *Akathist of Thanksgiving*, subtitled "Glory to God for Everything," for soloists, mixed choir and chamber orchestra, received its first performance on Monday evening in Westminster Abbey.

Since his opera *Thérèse*, was staged at Covent Garden in 1979 Tavener's development as a composer has tended to be conducted outside the mainstream of British musical life. The Russian Orthodox faith which he embraced in 1977 has led to an increasing proportion of his music being written for liturgical use, and in the 1980s especially, his concert works have been few and far between.

But those who may have lost touch with his work in that time would be little surprised by the language of *Akathist*, save to discover how much has been pared away. The proliferate richness of the earliest scores, which survived even into some parts of the opera, is non-existent; complex sonorities are built by hieratic aggregation rather than harmonic convolutions.

The new work, composed to celebrate the millenium of the Russian church, falls into eleven regular sections. Each opens with a statement of the motto and ends with an Amen, both sung in Slavonic, and inserts between them a sequence of "Kontakion" and "Ikos," their texts taken from the writings of a priest who died in the 1940s in a Siberian prison camp. The musical treatment of each section is varied, though the ingredients — ecstatic soprano glorias and alleluias over pedal basses, tightly woven duets for a pair of countertenors, unadorned reflective solos and restrained underpinning from the orchestra — remain constant.

In many ways Tavener's music is now so overtly devotional it defies normal critical criteria. The pace is unvaried, the beauty, particularly in the writing for the countertenors, deliberately chaste. Anyone who finds its material overstretched, and the writing sometimes miscalculated risks accusations of missing the point. Certainly the performance conducted by Martin Neary with the Westminster Abbey Choir and Chorus, the English Chamber Orchestra and a bevy of soloists led the excellent Michael Chance, was thoroughly committed.

Andrew Clements

ARTS GUIDE

November 18-24

THEATRE

London

Measure For Measure (Barbican). Pick of the RSC London repertoire, a gripping revival by Nicholas Hytner, strongly acted, with witty design references to Lloyds of London and the Pompidou Centre in Paris (638 8891).

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (928 2252, cc 240 7200).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).

The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers and reversals on a desert island (930 9832, CC 379 4444).

Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1950s farce that prefigures the capture of old England by the spivs and opportunists. A genuine classic (437 3686).

Bartholomew Fair (Olivier). Successful Victorian transposition of Ben Jonson's sweaty masterpiece with ferris wheel fairground setting and much zanily eccentric acting in Richard Eyre's National Theatre company. (928 2252). Nov 25-29, Dec 3-10.

The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Dec 17-23, Jan 5-10, 19-21.

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

The Sneeze (Aldwych). Eight short Chekhov pieces — four vaudevilles, four early stories — translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, cc 379 6233).

Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

Amsterdam

Stadsschouwburg. The English Shakespeare Company closes its Dutch tour of the Wars of the Roses with Henry V (Fri), and on Saturday: Henry VI, Lancaster (10.30am) and York (3pm), and Richard III (7.30pm) (24 23 11).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6300).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

A Christmas Carol (Goodman). William J. Norris celebrates his tenth season as Ebenezer Scrooge in the annual holiday production with a cast of 26, directed by Michael Maggio. Ends Dec 26 (829 4141)

Tokyo

Kabuki, performances at 11am and 4.30pm. The mixed morning programme includes a seasonal piece, Momoji Gari, or The Maple-Viewing Party, featuring a spectacular transformation of a woman into a demon. Tickets available for a single act. For details, enquire at the theatre. Kabuki-za. Ends Nov 25 (541 3131).

Kabuki A mixed programme, which includes Kiri Hitosuha, a "new" kabuki play written in 1904 and the classic Migawari Zazen (The Substitute), about a young lord who escapes from his jealous wife to visit his mistress. Unfortunately for him, his wife's vigilance is more than he had counted on! English language programmes and earphone commentary. Performances at 12 noon and/or 5pm. Ends Nov 27. National Theatre (265 7411).

Schiller Theatre. West Berlin's leading theatre company pays its first visit to Japan with Schiller's tragedy of love and betrayal, Kabale und Liebe (Mon) and Odon von Orvath's morality about survival, Glaube Liebe Hoffnung (Thurs). Nissei Theatre (503 3111).

SALEROOM

VC sold for charity

The VC awarded to 19-year-old Lieutenant William Leefe Robinson in 1916 for shooting down a Zeppelin over London sold for £99,000 at Christie's yesterday. It was the second highest price ever paid at auction for a VC, being beaten by the freak £110,000 paid when two bidders competed unnecessarily against each other.

The VC was bought by a private English collector. It had been sold by Robinson's niece with the proceeds going to A Medal for Life, a charity which benefits children suffering from leukaemia. Robinson's feat in downing a Zeppelin made him a national hero and did much to raise morale at a crucial period of the War. Robinson was subsequently a prisoner-of-war in Germany and, in his weakened state, died in 1918 soon after the end of hostilities.

Sotheby's made some uncontroversial money from important maps yesterday when it sold the Chinese collection from the library of the famed book dealer Philip Robinson, which included important Chinese maps, for almost £1.3m. (It now seems that the Mappa Mundi, from Hereford Cathedral, will not suffer the indignity of appearing at auction, and Sotheby's will net an easy 10 per cent of the conservative price of £2.5m hy selling it privately back to Hereford.)

The most important Robinson map was created in Peking in 1602 by the first Jesuit missionary, Father Matteo Ricci. It is in six sections, each over two metres high, and sold for £209,000, at the low end of the estimate, to the Dutch dealer Nico Israel. Only four copies of this map are known. It was designed to instruct Chinese scholars in global geography, although, diplomatically, Ricci placed China in the middle of the world.

Israel bought the next two top lots, paying £121,000 for one of three copies of the Jesuit astronomer Johann Adam Schall von Bell's "Great Stellar Double Hemisphere map," printed in Peking in 1634, and £110,000 for the first Chinese map to show the Americas, made in Nanking in 1593 probably by Chinese cartographers.

The first European drawing of rhubarb, which originated in Tibet, appeared in a map of China made in Italy by the Polish Jesuit Michal Boym in 1652: the map sold to Israel for £66,000.

At Bonhams a contemporary ceramics sale brought in £160,000 with only 3 per cent unsold, and established an auction record for Lucie Rie of £14,850.

Antony Thorncroft

FINANCIAL TIMES
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Wednesday November 23 1988

Canada rejects nationalism

CANADA got it about right on Monday. It returned its Conservative Government to power and thereby gave approval to the free trade agreement with the US that marks a significant and welcome break from a long tradition of Canadian economic nationalism. But the reduced parliamentary majority that Mr Brian Mulroney has been handed should remind him not to play fast and loose with his country's proven values and sense of its own identity.

It is easy to exaggerate the practical bilateral consequences of the free trade agreement. Eighty per cent of the goods crossing the common border are already free from tariffs; there is no recent hard evidence that its absence has hindered investment flows both ways and indeed some of the more noteable recent acquisitions of US companies have been by Canadians. The reality has long been of two interdependent economies, with Canada probably gaining the larger advantage from economic relations. If sectoral problems are created by the free trade agreement, as in the Canadian clothing industry, they ought to be manageable.

Gatt principles

The symbolic importance of North American free trade matters more, and on two counts. First, it is not an example that should attract the major trading nations of the world. Its duplication elsewhere, between the US and Japan, for example, would seriously undermine General Agreement on Tariffs and Trade (Gatt) principles. Only if viewed as a special case, between contiguous nations with an unequalled volume of bilateral trade, can it fit comfortably in a free trading system. Bilateral arrangements, even in the ostensibly benign form of regional agreements, should not be seen as an alternative to the Gatt system, now being reformed, albeit hesitatingly, in the Uruguay round.

Second, and working in a positive direction, is the extent to which Canada is now committed to free trade, outside and inside its own boundaries. Canadian history is littered with failed previous attempts to put trade relations with the US on a more systematic footing. Having finally cut this Gordian knot, Canada must avoid the temptation to rest on its favoured position with the US, but rather seek to exercise leadership on a wider front.

Quebec's vote

An equally important internal consequence ought to be the further removal of barriers to the free flow of goods and services between Canada's own provinces, the existence of which have helped to make federal-provincial relations so franght over the years. The fact that Quebec, which gave separatism its chance just 12 years ago, voted so overwhelmingly for the Mulroney platform is a significant statement by the French-speaking province in favour of Canadian political and economic unity. The Prime Minister had better not rest on the laurels of the Meech Lake constitutional accord and overlook this message.

Nor should he conclude from the election that Canadians want to be more like Americans than they already are. There are distinctive Canadian virtues and institutions, including a highly developed social welfare system, that the public evidently wants to preserve. There was little in the recent record of Mr John Turner, the Liberal leader, to suggest that he could identify with such values, but together his party and Mr Ed Broadbent's further left NDP outpolled Mr Mulroney's Conservatives by a comfortable margin.

Fortunately for the Prime Minister, there is reasonable hope that a pragmatic new Administration in Washington will not lean too heavily on Canada to change further. Contrary to campaign rhetoric, the free trade agreement's arbitration provisions mean that it is more likely to preserve than undermine Canadian institutions. Mr Mulroney, therefore, has a good base from which to operate on both sides of the border. He could do worse than start with a serious attempt at reducing the Canadian budget deficit.

The revolution continues

THE TWO most remarkable characteristics of the British Government since Mrs Margaret Thatcher's third election victory have been persistence and energy. It is not much more than half a year to go before the Prime Minister celebrates the 10th anniversary of her arrival in 10 Downing Street, and there is still no sign of any loss of momentum. On the contrary, a heavy legislative programme was promised in the Queen's Speech yesterday, following directly upon the weighty package of new laws that passed through the last session. The Government's overwhelming majority in both Houses will ensure that its bills get through. Amendments are likely to be few and far between, since the opposition is outnumbered, divided and demoralised.

Yet the day-to-day management of the economy, which is the central issue facing the Government, is not a legislative matter. The only reference to it in the Queen's Speech was a declaration that the effort to combat inflation will continue. The truth is that the fate of the Thatcher Revolution is inextricably bound up with the course of the economy. If a soft landing is achieved, and inflation begins to fall back without a concomitant deep recession, the Prime Minister's crusade can be carried further. If, on the other hand, inflation is not brought under control, all bets are off. The implicit assumption in yesterday's speech is that the worst will not happen, and that the Government can be confident that it will succeed in its proposed further stage of British reconstruction.

Public expenditure

The question, therefore, is whether the right hits are being restructured. There should be further heavy investment in education, training and research; given the commitment to a continuous fall in the proportion of national income devoted to public expenditure, it is not clear whether the necessary resources will be made available.

Some of the Prime Minister's recent speeches have led many to expect a coherent statement of policy for the protection of the environment; instead there is a declaration of pious intent, and one anticipated development: the new National Rivers Authority. This is to be welcomed as an independent regulatory agency whose principal purpose should be to manage the production of uncontaminated water. Its emergence is a useful by-product of the debate on privatisation.

What is not clear is whether there is any advantage to the water privatisation itself. The rivers authority could have regulated the existing water supply industry. The new water companies will not be subject to competition. The cost of providing a commercial and financial services infrastructure to the industry will be an additional burden on consumers.

Question mark

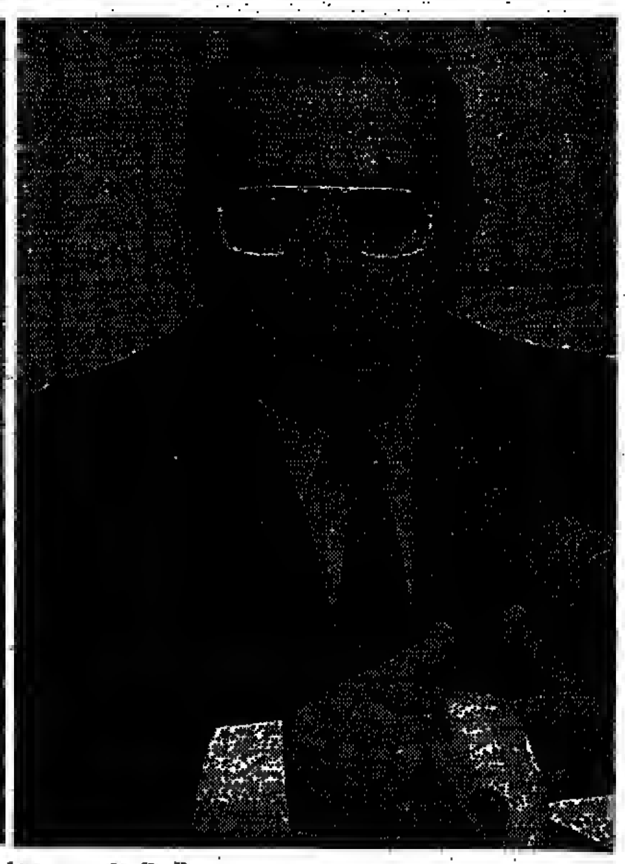
The privatisation of electricity will at least produce competition of a sort, but there is still a question mark arising from the Government's desire to maintain a nuclear industry at its current size and the rising cost of a levy on consumers. In both these major privatisations the Government still faces a huge task in converting its ideological commitment into practical gains for the consumer.

It is not yet possible to make a complete assessment of the Government's intentions for the security service. In principle, any move that regularises the rules under which MI5 operates should be welcome, but details of the promised bill to put the service on a statutory basis under the Home Secretary have not yet been published. The danger is that the net effect of the new bill and the proposed reform of the Official Secrets Act might be to provide a cloak of non-accountability for the service, without any provision for proper scrutiny by Parliament or the courts.

The Prime Minister said in the Commons yesterday that accountability would be taken care of in the usual way, through the responsibility of the Home Secretary and herself to Parliament. But this is disingenuous. Ministerial, oversight is not a sufficient safeguard against potential abuse by the executive, particularly when that executive commands a substantial majority in the legislature.

Ian Davidson and Paul Betts trace the French government's role in the recent raid on Société Générale

A dangerous liaison for French business

Georges Pebereau (left), who led the raid, and Pierre Bérégovoy, a tacit ally

MR Georges Pebereau's controversial raid against Société Générale appears to have run into the sand. A month ago Mr Pebereau and his business allies acquired nearly 10 per cent of France's largest privatised commercial bank. Last week, however, it became clear that his blitzkrieg was losing momentum and Mr Pebereau appeared increasingly anxious to negotiate a face saving compromise with the bank.

On the surface, it looked like a bold business initiative which had fallen short. In reality, Mr Pebereau's raid has proved to be a tell-tale indicator of the extent to which business and politics are still intimately linked in France. Not merely has Mr Pebereau failed so far in his attack, but the episode has left the new Socialist government in a state of palpable embarrassment.

From the beginning, Mr Pebereau and the French government have both claimed that the raid was purely a business affair. But it is obvious from the identity of some of Mr Pebereau's main allies and statements by leading Socialist figures that he enjoyed the tacit support of the government.

The reason it is so embarrassing for the government is that President François Mitterrand, in his election campaign earlier this year, pledged to put a stop to the old French habit of mixing business with politics. One of the main criticisms launched against the outgoing Gaullist government of Mr Jacques Chirac both by Mr Mitterrand and by the centrist supporters of Mr Raymond Barre, the former right-wing Prime Minister, was that the Gaullists used their privatisation programme to regain control of the main levers of French economic power.

Their most bitter attack was against the Gaullist formula of "hard core shareholdings", known as *noyaux durs* in France, which were ostensibly designed to protect the newly privatised groups from hostile takeover bids, but in practice were intended to ensure control by business friends and allies of the Gaullist RPR party. Although the Socialist party was itching for the opportunity to settle old scores with the Gaullists, President Mitterrand himself promised a new consensual approach.

On the one hand, he undertook not to revive the long-running argument between left and right over nationalisation-privatisation; companies which had been privatised would remain privatised but companies which had not would stay in state hands. His entourage stressed that the new government would expect state-owned companies to be run like private companies in line with market forces.

More generally, President Mitterrand pledged to inaugurate a new era of "state impartiality". There would be none of the traditional witch hunts against the heads of major state groups. "Every government needs top civil servants who are loyal. That is not sufficient justification for installing its partisans in key positions where they have no business to be," Mr Mitterrand wrote in his election manifesto.

It is partly because Mr Mitterrand seemed to be promising a squeaky clean policy towards business that he secured a surprising degree of support from Mr Barre and the centrists. However, the new Socialist government has found it increasingly difficult to live up to this new non-interventionist approach to business. In the six months since the elections, the government has made a series of senior appointments which have clearly had a strong political flavour. Moreover, the government has given unmistakable support to manoeuvres to unsettle the Gaullist *noyaux durs*; first in the case of the Havas advertising and media group and subsequently in the case of Société Générale.

The difference is that the Havas manoeuvre went fast and relatively smoothly, whereas the Société Générale attack has misfired. At Havas, no attempt was made to break up the Gaullist hard core shareholding group led by Mr Jérôme Monod of the Lyonnaise des Eaux water group. But Mr André Rousselet, the former chairman of the advertising group and a close friend of President Mitterrand, succeeded in counterbalancing the Gaullist hard core by negotiating the entry of a new club of institutional shareholders favourable to the Socialist government.

In general, however, Mr Pierre Bérégovoy, the new finance minister and an intimate ally of President Mitterrand, has made no secret of his desire to break up the Gaullist hard core groups through the open market. This appears to have been the main reason for the government's support of the Pebereau attack on Société Générale.

Nobody pretends that Mr Pebereau is a Socialist, and indeed many of his allies in the market raid are long-standing supporters of Mr Barre. There is also little doubt that Mr Pebereau was motivated partly by personal and partly by business considerations.

His personal motive was to make a spectacular return to the front of the French business stage after his unceremonious removal two years ago by the Gaullists from the chairmanship of Compagnie Générale d'Electricité (CGE), the French telecommunications and heavy engineering group. After leaving CGE, Mr Pebereau recycled himself in the investment banking business. He set up his Marceau Investissements group with the help of French business figures like Mr Gustave Leven, veteran chairman of the Perrier sparkling water group, and Mr Jean-Louis Descours, head of the André shoe group.

Mr Pebereau seemed to hold strong cards. First, Société Générale's *noyau dur* seemed fragile and the bank had allowed its share price to drop well below its flotation level this year making it vulnerable to a stock market raid. Second, Mr Pebereau also had powerful political allies including the Caisse des Dépôts et Consignations, the giant state credit institution which manages the funds collected through state savings accounts. He also enlisted the backing of the Thomson CSF state controlled defence and electronics group, an ally whose political importance seemed to be underlined by the fact that its assistance to Mr Pebereau's group was until recently a closely guarded secret. When Mr Pebereau applied to the French banking authorities for permission to increase his stake beyond 10 per cent, he was granted clearance with unusual speed.

The new government has made a series of business appointments with a strong political flavour

But Mr Pebereau appears to have underestimated his opponent. After a slow start, Mr Marc Viénot, the chairman of Société Générale, mobilised his troops to fight a trench war of defence. After rejecting the advances of Mr Pebereau, Mr Viénot secured the backing of a new club of blue-chip companies to strengthen his position in the shareholding structure of the bank.

Both the way in which Mr Pebereau launched his attack and the way in which Mr Viénot organised his defence offer a revealing insight of the peculiarly incestuous character of French capitalism. It is based on the close relations between select groups of businessmen and top civil servants, or *fonctionnaires*, forming closely knit clubs. They are often tied by similar financial and political interests but even more so by the French élitist old boy network of the *grandes écoles*. French deal-making is traditionally conducted by members of these groups, who constitute what the French describe as *l'establishment*, behind closed doors in company boardrooms or ministerial salons.

Most hostile or friendly deals are conceived by a group of investors with the support of influential members of the administration. They are known as *"tours de table"* and form a sort of informal syndicate of principal shareholders. This system creates conflicts of interests with leading players who often find themselves with a foot in one operation and another in a rival deal. Such was the case in the Société Générale raid, in which one of Mr Pebereau's main allies, Mr Descours, is also a long-standing board member of the privatised bank.

Moreover, Mr Viénot was also helped by a combination of external factors which ultimately appear to have tilted the balance in his favour. Most serious was Mr Pebereau's failure to make a quick killing. The delay attracted increasingly adverse comment — in the business world and in the press and television — on the role attributed to the Socialist government in the affair. One leading banker angrily remarked that "France is becoming a banana republic." Another banker, whose sympathies admittedly do not lie with the Socialists, described it as "a growing wave of political pollution of business affairs."

These allegations of political interference in an affair involving speculative millions have become particularly uncomfortable for the government. They come at a time when it is beset by a wave of public sector strikes and is attempting to sustain a policy of budgetary restraint in the wages paid to traditional supporters of the Socialist party.

The political scene is becoming increasingly dominated by the preparations for next spring's municipal elections. President Mitterrand returned to power this year with a clear mandate from the electorate to build a new moderate majority by an opening to the centre. Initially this mandate won a favourable echo from the centrist CDS party and the supporters of Mr Barre. The approach of the municipal elections, however, has made the centrists think again. In the National Assembly in Paris they may talk about political *ouverture*, but in the provinces of *"la France profonde"* their roots remain entrenched in conservative Christian-democracy.

As the head of a minority government, Mr Rocard obviously needs allies, and he would prefer to find them from the centre rather than from the Communist party. The disadvantage of the Société Générale affair is that it has tended to alienate potential allies on both left and right and undermined the image of clean and impartial government.

Mr Bérégovoy insists emphatically on his credentials as an economic liberal, and he has a good track record to prove it. He started the process of financial deregulation in France during his first stint as Finance Minister between 1984 and 1986, a process which was then continued by the Gaullist Finance Minister, Mr Edouard Balladur. In the new Socialist government, Mr Bérégovoy has continued to pursue a liberal and non-protectionist macro-economic policy to prepare France for the competitive rigours of the new European single market in 1992. This is no doubt one reason why he is sensitive to charges of political interference — and why his advisers are irritated with the way the raid has been conducted by Mr Pebereau, whom they now describe as "an amateur".

It is unfair to take a cynical view of Mr Mitterrand's commitment to introduce an era of political impartiality in France. The government, for example, is currently wrestling with the task of setting up a new independent broadcasting authority, and there is every reason to suppose that it will be more independent than its Gaullist predecessor. *But the tradition of political* interference, and the size of the public sector in France, conspire to make it extremely difficult to develop new instincts.

Although President Mitterrand promised there would be no witch hunts, the Socialists have already replaced the chairmen of the UAP state insurance group, Air France, the state SNCF railway company, and the Crédit Lyonnais, the country's second largest state owned commercial bank. It is now the turn of the Crédit Agricole, France's largest retail bank; it was privatised last year, yet the government is still engaged in deciding who its next chief executive will be.

The last word on the Société Générale affair has yet to be written. Yet the controversy it has stirred may well make the Socialist government more reluctant in the future to endorse other forays of this kind. Already the government appears to be taking its distance from Mr Pebereau.

OBSERVER

Wimbledon's new top

■ The roof is all but finally up on the new covered courts at the All England Tennis club, and a very handsome, hi-tech structure it is. But it has been an awfully long saga putting it into place.

There are two indoor courts at Wimbledon, built in the early 1950s. The architecture shows its age: the lighting is deficient and the building does not even have changing rooms. The plan was to integrate three more with all the benefits of modern technology. Merton Borough Council refused planning permission in 1983. The inspector rejected an appeal at the subsequent public enquiry, largely on the grounds that the new courts would take up parking space needed during the championships.

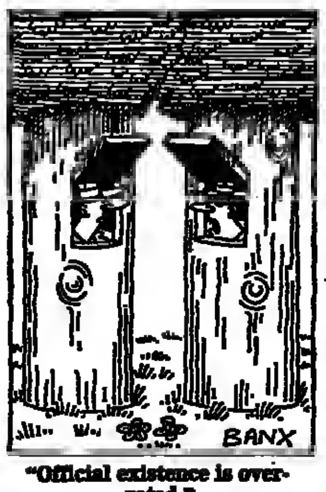
Permission to build was granted last year, provided that the proposed colour was changed from white to green. Even then there were problems. Although the overall construction contract went to Taylor Woodrow, the company is not capable of putting on the requisite roof. No British company is. This, says Ian C King, the architect, is the recurrent problem of the British construction industry. Specialised components have to be imported: whether windows, lifts or roofing.

The Wimbledon roof is a very special case. It had to be translucent — to allow tennis to be played as if it were daylight — and it had to provide for a good game at night. It also had to be totally waterproof. Only three companies in the world could manage it: one in the US and two in West Germany.

The contract went to the West German Koit, run by a man called Uwe Becker, though no relation to the tennis player. Another German company, Duraskin, supplied the PVC-coated polyester fabric that is suspended over the courts. It looks like tent material, but seems to be indestructible. You can walk on it.

Construction should have been complete in September, but there were gales and terrible problems in erecting the roof. Water got into the building, which is on the site of an old lake. Still, all is nearly well. For all the delays, the project has cost only £2m, the price perhaps of a couple of large London houses. As for the people of Merton whose houses look onto it, they can hardly complain about the aesthetics. They are stunning.

King, who played doubles in the Wimbledon championships in the 1950s, is looking forward to it. "As the architect," he says, "I ought to be allowed the first game." It should be before Christmas.



"Official existence is overrated."

Young looks

■ A Labour Party Party researcher of Mars pass to the House of Commons forgot that it was the Queen's Speech yesterday and that access to Westminster can be difficult. She was working her way through the St Margaret's route when she found a policeman apprehending a vaguely familiar figure. "Do you know this man?" said the policeman. "Says he's a Cabinet Minister, but hasn't got a pass. Can you vouch for him?" The lady looked again and did the decent thing. Without her help, Lord Young, Secretary of State for Trade and Industry, would have missed the proceedings.

How it began

■ Alexander (Sandy) Dewhirst steps down today as chairman of I J Dewhirst Holdings plc, the largest supplier of menswear to Marks and Spencer. His family has a story to tell.

Dewhirst's grandfather, Isaac, was already in the clothing business in the last century. One day in Leeds in 1884 he came across a Jewish refugee from Poland looking for a job. The man could speak no English and had no money, so Isaac loaned him £5. Off went the man to set up a stall. Still speaking no English, he simply put up a notice: "Don't ask the price, it's a penny."

A while later he came back to Dewhirst explaining that he was expanding and invited his benefactor to join him as a partner. Dewhirst declined and suggested his cashier instead.

The name of the man who set up the business with the £5 loan was Michael Marks, and the name of the cashier who went in with him was Tom Spencer. Thus a famous firm was born.

Capitalist road

■ The pace of modernisation in China may be slowing down, but the intellectual conversion to capitalism is still going on. Here are some quotations from the current issue of the Beijing Review. *Some capitalist countries, an article argues, have strengthened government* interference in economic life to achieve their macro-economic goals: "This contradicts our former understanding that capitalist production was fundamentally anarchic." Some have also passed anti-monopoly laws: "This contradicts our former view that the capitalist economy is dominated by monopolies." And again: "At every stage of capitalism's economic development, corresponding achievements have been realised in ideology, culture and politics, thus advancing civilisation." Moreover, "Without the the cultural heritage of capitalism, there would now never cut its historical and present ties with it."

The article is by Xu Jiatun, head of the Hong Kong branch of the Xinhua News Agency and a pretty big shot.

MP for Ghana

■ The most colourfully dressed MP in attendance in the House of Lords yesterday for the State opening of the new Parliamentary session was Bernie Grant, who represents Tottenham in the Commons.

His flowing orange robe was made up from about 12 yards of cotton material known as kente; the garment itself is called a Batakare and is traditionally worn by chiefs of the Ashanti tribe in Ghana. It was the biggest splash that Grant, once the ogre of the Tory Party Conference, has made in Parliament so far.

Growth pains

■ Kazuo Chiba, the Japanese Ambassador to Britain, who wins plaudits all over the place, referred at the Financial Times conference on Strategies for Europe: 1992 yesterday to the old slogan "export or die". Now we know, he said: "If we export too much, we die."

Anthony Robinson talks to Aggrey Klaaste, a black newspaper editor attempting to chart a new course for anti-apartheid protest in South Africa

Trying to stop the madness

The fading photograph on the wall behind Mr Aggrey Klaaste, editor of The Sowetan newspaper, is that which flashed around a shocked world in June 1976. It shows a black youth, his face contorted in grief, carrying the bleeding body of young Hector Petersen, the first fatal casualty of the Soweto uprising.

Under this reminder of a past he never wants to see repeated, Mr Klaaste, a soft-spoken, chain-smoking intellectual confided to a caller ovar the telephone: "I'va become a celebrity overnight, man, and I can't handle it," before facing yet another interviewer.

What has attracted the attention of diplomats, foreign correspondents – and the ubiquitous security police – to the drab, one-storey newspaper offices in Johannesburg's southern suburbs, is a campaign being waged in its editorial columns calling on blacks to reassess the path to liberation and engage in a new process of "nation building."

The starting point was Mr Klaaste's gradually mounting personal conviction that, without a fundamental change in black attitudes, another violent explosion of frustration would erupt in the townships. This would be followed inevitably by more bloody repression from a frightened but well-armed *white* government. The end result would be an economic wasteland and poverty, not only for South Africa but the entire region.

"I am 48 years old and have lived through 40 years of National Party rule. It has been a daunting experience full of despair, small triumphs, helplessnsas, tempestuous bouts of anger, *grief – and* very little hope," he says. Having experienced the Sharpeville massacre of March 1960, the Soweto rising 16 years later and the countrywide revolt of 1984-6, followed by mass detentions and the introduction of a seemingly permanent state of emergency, Mr Klaaste expresses the fears of many blacks when he adds: "There is a holding of angry breath in the black community and a frightening swing to the right among whites. I can feel in my bones the silent preparation by blacks for the inevitable explosion. Somebody has to do something to stop this madness."

Part of the problem, he believes, is that blacks have paid too much attention to seeking purely political solutions to their problems of helplessness, poverty and ignorance. "Wa have repeated the mistaks of Ghana's Kwame Nkrumah who exhorted black leaders to seek first the political kingdom. But after the exhilaration of Uhuru (independence), nation after nation in Africa tumbled, there were coups aplenty and the continent ran red with blood."

He continues: "When foreigners ask 'Where are the black leaders?' we usually answer pathetically that they are in jail, in detention or in exile." But he adds: "That is simply not true and an insult to a growing number of serious black businessmen, doctors, lawyers, teachers, skilled workers *who could lead by their* example if the concept of leadership was not restricted to the political sphere."

Mr Klaaste also argues that it is simply not good enough to blame whites for everything. "One moment we act like bowed, scraping slaves, happy to lick the Baas's hand. Next we engage in acts of unbelievable violence, like placing a burning rubber tyre 'necklace' around someone's neck. How could the average white person have confidence – nay respect – for such people?" he asks.

His painful reminder of the way in which black violence and frustration has turned inward to conflict among rival black factions in the townships, rather than tackling the true enemy of apartheid and white domination, is an implied criticism of rival black political organisations like the United Democratic Front (UDF), the African National Congress (ANC) and the Pan Africanist Congress (PAC). He also criticises those like Archbishop Desmond Tutu who call for sanctions and disinvestment, which he says most blacks oppose because they know that it will lead to more unemployment and misery.

Mr Klaaste, who was himself jailed for seven months during the Soweto rising, says the answer lies in emulating the Afrikaners who were themselves a despised and impoverished underclass in the wake of the Boer war. Before they won power in 1948 they formed *their secret societies like the* Broederbond, patronised Afrikaner businesses and concentrated on raising the educational standards and cultural awareness of the Afrikaner *volk*.

"There is no doubt they created a powerful *volk*. The trouble is that they were selfish. Their injury to blacks and others, their *contempt* for the humanity of others, is reaping the whirlwind." Blacks, he argues, must not repeat this fatal error. Instead they should be inspired by what he calls *ubuntu* – a uniquely African quality of humanity and compassion. "It is a unique quality which makes us able to forgive and forget," he says, pointing to tba tolerance shown to whites in Zimbabwe, aven after a bloody war. "Blacks, who are in an ever growing majority, must take on themselves the responsibility for ensuring a peaceful and prosperous future for all the inhabitants of South Africa." They must create "the type of leadership which decreases the fear in the hearts of young Afrikaners who are convinced we are a vast population of gullible people easily swayed by communists and radicals."

The Sowetan is a white-owned daily which circulates mainly in South Africa's largest and most sophisticated black township. Its nation-building campaign has attracted a lively interest and raised circulation smartly to around 190,000 copies daily. *The opening shots of the campaign* were fired shortly after Mr Klaaste, a politics and psychology graduate from Witwatersrand University and one time Nieman fellow at Harvard, was appointed editor in May. But "nation building" as a concept was only publicly launched at the end of October at a multi-racial leisure centre *called Shareworld, outside* Soweto.

Ten days later Mr Klaaste repeated his message at a conference on black economic ampowerment sponsored by the Black Taxi Association (Sabta).

Over the last ten years Sabta has revolutionised black transport and given unprecedented mobility to millions of blacks. It has also spawned dozens of black millionaires and mushroomed into a Rand 3bn (£700m) a year business which *developed in defiance of apartheid laws*.

Tha new industry is oot without faults – many black taxi drivers are dangarous "cowboys" driving unlicensed, unsafa vehicles. But blacks havs found a niche and exploited it. Now the industry is aeeking to rationalise, improve its management and build a capital and skills base from which to expand into other areas like freight transport, passenger services in white areas and tourism.

The men who came from nowhere to build a new service industry within a decade are the kind of black achievers that Mr Klaaste and his deputy Mr Sam Mabe want to encourage to come forward to provide constructivs leadership and rola models for the young, unemployed and under-educated township youths. Their emphasis on self-help and improvement contain echoes of tha "black man, yon are on your own" ideas of Steve Biko, the charismatic "black consciousness" leader killed in secret police custody in 1977.

The main difference appears to be explicit recognition of the folly of trying to take on the heavily armed white establishment and recognition of the legitimacy of white fears. Above all, what is new is the idea that whites have proved themselves incapable of creating a sense of nationhood in South Africa; it is therefore the historical responsibility of the black majority to create a country in which shared loyalty to "the nation" over-rides the tribal divisions of the past and present. This is the new message coming from South Africa's most important black city. Aggrey Klaaste believes he has merely formulated ideas, convictions and conclusions which have been in the air, unexpressed for some time. But their airing looks like sparking one of the most interesting developments in black politics for many years, a new emphasis on self-help and pride in achievement.

The UK taxation system

How to increase the incentive to save

By Donald Franklin

Demand is clearly outstripping supply in the United Kingdom, *leading to inflation* and balance of payments problems. To reduce demand, the savings ratio (preferably the personal savings ratio) must be raised. But the Government is rightly reluctant to increase distortions in the economy by imposing credit controls or raising taxes – either of which would forcibly increase net saving. Instead, it has raised interest rates to a level which it thinks will deter borrowing and encourage saving sufficiently to cool the economy.

To the same end, Mr Nigel Lawson, the Chancellor of the Exchequer, has recently announced a new, more attractive, national savings scheme, presumably with a higher interest rate. For this to work as a general encouragement to save, it will have to drag all other rates up with it.

High interest rates tend to deter investment as well as consumption, to the long-term detriment of the growth of industrial capacity. This occurs both directly and, more importantly, through upward pressure on the exchange rate.

When confidence in the economy was weak (as during the summer), higher interest rates were compatible with a stable exchange rate. But as soon as confidence has grown in the Government's resolve, and in the likely success of its policies, upward pressure on the currency, which so paralysed policy in the spring, will re-emerge.

A further appreciation of sterling will probably be sanctioned this time around, as a means of squeezing the corporate sector and inflation. But if corporate confidence and investment is undermined, the cost could be high in terms of reduced potential growth rate for the economy.

There is, however, an alternative approach to encouraging saving, an alternative particularly appropriate at a time when the government is flush with funds. Why not abolish the taxation of interest on personal savings?

This may seem as great a distortion as credit controls or income tax increases, but it is arguable that the taxation of interest on savings is itself distortionary: for it is effectively double taxation, taxing first the income from which savings are made, and second the income arising from the saving.

The current system therefore acts to discourage saving (see Meade Committee Report, Institute for Fiscal Studies, 1978). This is particularly obvious when a portion of the interest received merely offsets the erosion of capital by inflation; but even without inflation, the individual who defers consumption is being taxed on the compensation for his forbearance. It is odd that a tax regime should discourage the saving and investment which is so indispensable to securing long-term growth.

In fact, in recognition of this, many exceptions are made in the present system: saving through pension funds is tax-deductible; neither the use nor the capital gain on investments in owner-occupied housing is taxed; and the Personal Equity Plan (PEP) allows tax-free dividends and capital gains on limited annual investment in shares.

Originally, the Chancellor intended to abolish all such concessions in an attempt to remove the arbitrary favouring of one form of saving over another. But, having ended life assurance premium relief in 1984, the political obstacles to removing concessions on pensions, let alone housing, proved insurmountable. With the introduction of PEPs, the Chancellor took a small step in the opposite direction towards eliminating the double taxation of all forms of saving.

Part of the idea behind PEPs was to encourage individuals to identify with the companies in which they were investing. To this end, investment in unit trusts was limited to one-quarter of the total. The difficulty in diversifying the holding and the paucity of the tax savings in view of the existing generous capital gains tax allowance, have led to a disappointingly low take-up of PEPs.

It may be better, therefore, to forsake the identification idea, and concentrate on encouraging the building of personal wealth outside the housing market, broadening the concept of a property-owning democracy.

The simplest controllable method of offering an increased incentive to save would be to extend the PEP (appropriately renamed) to embrace other saving vehicles, including corporate bonds and gilts, whilst removing the restriction on unit trust holdings. To completely level the savings playing field would require the inclusion of all forms of saving, including building society and bank deposits, but this addition could perhaps be reserved for a period when a fall in interest rates is dictated by macro-economic policy.

Of course there would be significant (but not astronomic) cost to the exchequer, and much of the take-up of the scheme would be by investors transferring existing savings into PEPs, rather than by those restraining their consumption. But the expense could be contained, at least initially, by continuing to restrict the amount which could be invested in PEPs. In this way, the boost to income implicit in the tax reduction could be limited to the amount necessary to offset fiscal drag. And the boost to aggregate savings should be equivalent to several percentage points on base rates.

There can be no better moment to move towards a tax system less discouraging to saving than when the Government is in surplus but wishes to cool the economy. Without such a strategy, which both cuts taxes and encourages saving, the Chancellor (with a budget surplus probably approaching £15bn) could be in a very embarrassing position next March.

The author is chief economist at Schroders, the London merchant banking group

LETTERS

Accounting remains confused

From Mr K.G. Sykes.

Sir, Following Ranks Hovis McDougall's (RHG) pioneering work in valuing its brands, I imagine we can now look forward to an "SSAP" ("statement of suspicious accounting practice") on the subject.

Fortunately these SSAPs are optional – as we see from the definitions of extraordinary and exceptional items used by some companies. My preference is one of the most popular definitions: if it is a profit, it comes above the line.

But why has RHM failed to grasp the nettle on related issues? "Nothing has been attributed to the other intangibla assets of the group (for example, management, workforce, technical expertise and so on)." If factors of production like land and capital are to be included in the balance sheet, why not labour?

It would be unkind to suggest that auditors are at their most confused for decades. That position was reached with the early current cost accounts, when one could read audit statements saying that two completely different profits figures both gave "a true and fair" view of a company's performance.

In the meantime, as a user of accounts, I shall have to be satisfied with the sources and applications of funds statement. Perhaps in a few years there may even be Statements of Standard Accounting Practice so that I can trust the profit and loss accounts. Is legislation the only way for these to become uniform?

K.G. Sykes,
36a Cleveland Square, W2

Ladies in livery

From Mr R.N.A. Court.

Sir, I am more than a little surprised that David Lascelles's article ("Mystery men of the City," Weekend FT, November 12) makes no mention of the fact that ladies are admitted as liverymen to some livery companies; for example to the Stationers and the Farriers.

One livery company, to my knowledge, has a lady Clerk. My own daughter is a freeman of the Worshipful Company of Joiners and Ceilers, although not yet allowed to be a liveryman.

Your correspondent's article conveys the impression that the livery is a male-only bastion. This is not so – and I hope that further changes may be expected.

R.N.A. Court,
Liveryman of the Worshipful Company of Joiners and Ceilers,
Paddocks Green,
Picketts Lane,
Salfords, Surrey

Incapable of being scientific

From Mr T.H. Ekins.

Sir, Your legal column (November 14) promulgated a new book apparently advocating a role for "forensic accountants" in advising on (inter alia) quantum in personal injury claims.

On November 10 Lord Oliver of Aylmerton delivered a judgement in which the Lord Chancellor and three other law Lords on the Appellate committee expressly and unanimously concurred:

"It would, I think, be extremely undesirable that trials of personal injury cases should be encumbered with evidence from actuaries and accountants directed to demonstrating the unprovable as scientific fact for the purposes of an exercise which is, in its very nature, incapable of being scientific. Moreover, I cannot think that such evidance would in the end be of any real assistance to the trial judge in making his assessment."

T.H. Ekins,
38 Great Charles Street,
Queensway, Birmingham.

Wood pulp decision implies a stricter test

From Sir Alan Neale,

Sir, As I was travelling in the United States at the time and not always in reach of your New York edition, I have only just seen Mr A.H. Hermann's important article on the *European Court's decision* on jurisdiction in the Wood Pulp case (October 13). I hope you will allow a belated comment.

Mr Hermann's interpretation of the judgment as espousing an extreme and radical version of US "effects doctrine" is at least arguable. What the Court said was that the decisive factor for jurisdiction was not the place where a restrictive agreement was made but the place where it was implemented; and that the prodncers of wood pulp "implemented their pricing agreement within the Common Market."

Their use of the word "implement" surely implies some active and purposive presence of the producers in the market. People can hardly implement a plan in a place without being there.

Moreover, a study of the full record in the case as set out in the Commission decision of December 19, 1984 – (1985) 3 CMLR 474 – leaves no doubt that the foreign producers with a two-thirds share of the market were indeed active there in many different ways.

It is true that the Court went on to say that it was "immaterial . . . *whether* or *not they* (that is, the producers) had recourse to subsidiaries, agents, sub-agents, or branches within the Community in order to make their contacts with purchasers within the Community."

It may be argued that this sentence supports the view that the Court was adopting a root and branch version of "effects doctrine". However, I do not think the sentence can heve meant that it was immaterial whether or not the producers were present in the market in any way; indeed, it seems to echo the Commission's answer to a question from the Court in which they described the different kinds of conduct which took place *"in the Community."*

I find it more plausible, therefore, to suppose the Court meant only that it was immaterial what form the producers' activity in the Community took and whether, for example they dealt actively in the market themselves or used agents or other intermediaries.

For this reason I think it is far from clear that the judgment can be taken as authority, as Mr Hermann suggests, *for enabling the Commission* "to proceed worldwide against foreign exporters concerting their prices, even if they have no presence in the Community." Those who remain wholly outside the Community, even if willing to supply importers who seek their products, should not be regarded as within the Community's jurisdiction.

In discussing the judgment with officials of the US Department of Justice during my recent visit, I found that while they liked the thought that the European Court had moved closer to "effects doctrine", they would not deny that the wood pulp decision implied a stricter and less far-reaching test or jurisdiction than Judge Hand's test in *Alcoa*, based on the mere consequences or effects of action taken wholly abroad.

A stricter test is also implied by the European Court's claim that the Community's jurisdiction in the case "is covered by ths territoriality principle as universally recognised in public international law." I cannot reproduce here the full range of argument on this issue that Dr Stephens and I set out in the recent book, International Business and National Jurisdiction, to which Mr Hermann makes a generous reference.

Ha is entitled to his fair comment that our conclusions in favour of re-establishing a workable territorial basis for jurisdiction "lack bite". His own preference for internationalising competition law, however, also has its difficulties.

For all the hard and constructive work done, notably in OECD (Organisation for Economic Co-operation and Development), there is no real sign of an agreed body of law which could form the basis for allotting jurisdiction to an international tribunal.

Alan Neale,
95 Swains Lane, N6

The protection afforded by the Building Societies Investor Protection scheme (Letters, November 17) is 90 per cent of savings with an upper limit of £20,000, not £10,000 as stated.

FINANCIAL TIMES
Wednesday November 23 1988

Pretoria backs Cuban troop plan for Angola

By Anthony Robinson in Pretoria

THE SOUTH African Government yesterday approved tha timetable for withdrawal of Cuban troops from Angola agreed in Geneva last week.

But South Africa demanded close monitoring and verification of all aspects of implementation through a suggested five power "umbrella body" which would include both the United States and the Soviet Union.

Mr Pik Botha, the Foreign Affairs Minister, said he expected a "tentative" protocol formalising the withdrawal timetable would be signed by Angola, Cuba and South Africa within the next two weeks, probably in Brazzaville, the Congolese capital.

This would be followed by a full tripartita agreement which, in turn, would provide the basis for a mandate for Mr Javier Perez de Cuellar, the United Nations Secretary General, to begin implementating UN Resolution 435.

The resolution provides for Namibian independence after UN-supervised elections, but has been held up for a decade by South African insistence on the linked withdrawal of Cuban troops from Angola.

Mr Botha declined to name a date for full implementation of resolution 435 and said: "I cannot predict the future." Expressing satisfaction with the outcome of negotiations so far, he said "a hard nut has been cracked but a lot of hard work remains to be done."

Mr Botha, emphasising South Africa's insistence on the impartiality of the 7,500-strong UN task force which will supervise the transition of Namibia to independence declared his government's faith to the Mr de Cuellar, coupled with its "complete lack of faith in the UN."

Pretoria's insistence on an umbrella body, composed of Angolan, Cuban, South African, American and Soviet representatives, is indicative of South Africa's distrust of the world forum at which it is so often pilloried.

While the UN task force will monitor the Namibian election process, Mr Botha said another UN body will be empowered to monitor and verify all stages of the Cuban troop withdrawal.

The proposed umbrella body "would function as a sort of court of appeal, a body to which any complaints of any aspect of Cuban troop withdrawals or the Namibian indepence process or any other problem could be raised," he said.

After yesterday's cabinet meeting, President P.W. Botha together with his Foreign Minister and General Magnus Malan, Defence Minister, briefed Dr Jonas Savimbi, leader of the South African-supported Unita rebels, on the Geneva talks.

Asked about future relations with Unita, Mr Botha said: "Our relationship and friendship with Unita has not ended."

Iran enters post war conflict of ideology

Scheherazade Daneshkhu reviews moves towards a 'more attractive' Islamic Republic

POST-WAR politics in Iran have given rise to a bizarre anomaly. On the one hand, the country's Islamic leaders have been trying to encourage what they call "constructive" criticism and greater freedom of expression. On the other, they are undertaking a fresh clampdown on the political opposition involving what Amnesty International reckons to be "very substantial" numbers of executions.

The apparent contradiction reflects the dilemmas facing the regime as it tries to consolidate its hold on power and to steer Iran towards a peacetime reconstruction programme.

Pragmatic Iranian leaders are anxious, following their reluctant acceptance of a Gulf ceasefire in July, to attract emigrés back to help in rebuilding the country. They realise that this will entail modifications to the revolutionary political system with a view to creating what Hojatoleslam Ali Akbar Hashemi-Rafsanjani, the parliament speaker and acting commander-in-chief, calls "an acceptable kind of society."

But this does not mean that they are any more prepared than before to tolerate parties which refuse to accept the Islamic Republic. According to its constitution, parties must not "violate the principles of independence, freedom, national unity, Islamic standards or the foundations of the Islamic Republic."

Since Iran accepted the ceasefire, groups operating outside this framework have been the target of an intensified wave of executions, according to a recent United Nations report. Groups involved are believed to include the communist Tudeh party, the Kurdish Democratic Party of Iran and the Mujahidin-e Khalq organisation, a left-wing opposition group based in Iraq.

The brunt has been borne by the Mujahidin, which fought alongside Iraqi troops and whose members are regarded as traitors by many Iranians. "We're seeing a real attempt to clean up the Mujahidin now," said one observer of the Iranian political scene. "In any case, the Government won't be able to liberalise until it has eliminated the threat of the opposition groups."

Nevertheless, the leadership has already embarked on a public discussion of the changes that might be required to entice the hundreds of thousands of educated Iranians living abroad into returning. It is estimated that only 15 per cent of students sent to foreign countries have chosen to return home and the need to bring them back is clearly pressing. Iran is desperately in need of technical expertise for reconstruction and since the idea of opening the doors too widely to foreign assistance remains a sensitive one, the ideal option would be to persuade skilled Iranians to come back.

For this to be possible, some of the more puritanical and uncompromising aspects of Islamic rule will almost certainly have to be dispensed with. As Mr Rafsanjani puts it: "If we improve conditions, if we give up some of the shortsightedness, some of our excesses and some of the crude aspects which were the requirements of the early stages of the revolution and that we don't need today, we will be able to attract them back."

Others, such as Ayatollah Meshkini, the head of the Assembly of Experts, have called on government officials to tolerate criticism as a means of improving conditions. Ayatollah Hussein Ali Montazeri, the heir-designate to Ayatollah Ruhollah Khomeini as spiritual leader, has also chastised the over-zealous. He has said that "the time has passed when we can declare people infidel, when we can excommunicate them or level various accusations at them because they declare some truths."

In a remarkably frank call for greater freedom of speech, Ayatollah Montazeri went on to warn that: "If we do not tolerate listening to views opposed to our own, those opposition remarks will soon be turned into bullets." He called on officials who had themselves suffered oppression under the Shah to be mindful of the fact.

These speeches culminated in the recent announcement by Hojatoleslam Mohammadi-Reyshahri, the Information Minister, that the formation of political parties will be allowed in the Islamic Republic so long as "they do not hatch plots against it or create obstacles in its way".

This somewhat grudging declaration – made outside Tehran by a minister who is not directly responsible for the issue – suggests that tensions still exist regarding the best course of action in this sensitive post-ceasefire phase.

Some of the Government's lower-ranking members resent deeply the idea of the emigrés returning and the suggestion that special arrangements are being made to encourage them, such as a relative relaxation in the rules governing conscription. So far, however, the hardliners have had the ground cut from under their feet and have been unable to assert themselves.

Pragmatic Iranian leaders, such as Mr Rafsanjani, above, speaker of the parliament, are anxious to attract emigrés back to the country. However, others, such as Ayatollah Montazeri, top right, heir designate to Iran's current leader, the Ayatollah Khomeini as the country's spiritual leader, have come out against an over zealous approach. An attempt by the hardliners to assert themselves backfired when Mr Mousavi, Prime Minister, had his resignation rejected last September

A tentative attempt to do so on the part of Mr Mir Hussein Mousavi, the Prime Minister, backfired in September, when President Ali Khamenei refused to accept his resignation. Six of his ministers, including Mr Mohsen Rafiqdust, the hardline Minister for the Revolutionary Guards, were not endorsed when Mr Mousavi presented his cabinet to the Majlis (parliament) for approval. Others, such as Mr Ali Akbar Mohtashemi, the Interior Minister, and Mr Behzad Nabavi, the Minister for Heavy Industries, were approved only by slim majorities.

At the same time, the pragmatists have sought to avoid a showdown. The refusal to allow Mr Mousavi to resign neutralised the potential challenge, while Mr Rafiqdust has now been brought back into government as Mr Rafsanjani's adviser in military and logistics organisation and industries.

It remains to be seen whether Mr Reyshahri's call for the formation of political parties will bear fruit.

Since the dissolution of the ruling Islamic Republic Party last year, the only recognised party has been the Freedom Movement of Mr Mehdi Bazargan, the former Prime Minister. But he, too, has periodically encountered difficulties. Six senior members of the party were arrested in June, after Mr Bazargan circulated an open letter to Ayatollah Khomeini calling for an end to the war. Two have since been released.

In another letter to the spiritual leader in early October, Mr Bazargan complained bitterly of the moves against his party. He suggested that government actions could be laying the foundations for a dictatorship and threatened to disband his party altogether unless it is allowed to operate freely. The Islamic Republic is now faced with the challenge of reconciling its avowed intention to liberalise with such practical realities.

UK sets stage for water, electricity privatisation

By Philip Stephens, Political Editor, In Editor

THE UK Government yesterday set the stage for its most ambitious privatisation sales yct with the announcement that hills to dispose of the water and electricity industries will form the centrepiece of its legislation for 1989.

The two bills, unveiled in the Queen's speech, will be rushed into the House of Commons over the next week to underline the government's determination to maintain the momentum of the radical legislative programme. The sales are expected to raise hetween £20bn and £30hn ($36bn and $54hn) in the two years immediately before the next election in 1991 or 1992.

They will be preceded by a number of much smaller privatisations, including the sales of Scottish Bus, Girohank, Harland & Wolff and Short brothers. But there was no indication yesterday of when the government plans to sell its remaining 49.8 per cent shareholding in British Telecom. Overall, the speech foreshadows 16 major bills in the coming session of parliament, including a range of measures designed to reflect the government's continuing drive to deregulate the economy.

A companies bill will streamline official procedures covering mergers and takeovers, while an employment bill will remove many of restrictions applying to working hours. The first bill of the session, which will put the security service, or MI5, on a statutory basis for the first time in 200 years, will be published today by Mr Douglas Hurd, the Home Secretary.

The speech was followed by angry scenes in the House of Commons as Mr Neil Kinnock, leader of the opposition Labour Party, indicated that Labour intended to focus its attack on the government's economic performance and on what Labour sees as its failure to meet environmental concerns.

Details, Pages 11,12; Editorial comment, Page 22; Lex, Page 24

EC and US flex muscles over hormone-produced meat trade

By David Buchan and Tim Dickson in Brussels

A long-simmering transatlantic trade dispute flared into open hostilities yesterday after the US rejected compromise European Community proposals aimed at lessening the impact of the EC's planned ban next year on imports of US meat.

The Community speedily threatened counter-measures to expected US retaliation.

The ban on almost all US meat imports is due to start on January 1 when the EC, which forbids the import of meat produced with hormones, ends the US's one year exemption from the prohibition.

Both sides have dug themselves into positions of principle. The Community says it must put consumer concerns before trade interests, while the US contests both the scientific and legal grounds of the hormone ban.

Mr Willy De Clercq, the EC external affairs commissioner, said yesterday it was "a particularly bad time" to start a trade war as the US and EC prepare for the mid-term review of the Uruguay Round of the General Agreement on Tariffs and Trade next month and for changes of administration in Washington and Brussels in January.

He was speaking after EC foreign and trade ministers warned, despite some reservation on the part of the UK and Denmark, that the Community would complain to the Gatt about any US retaliation and instructed the European Commission to draw up a list of possible counter-retaliatory measures against the US.

At the same time they urged the Commission to continue to seek a last-ditch solution with Washington. Snb-ministerial discussions between the two sides are to start soon to Brussels, and are to be continued at a higher level in Washington during December.

Earlier to the day, Mr Clayton Yeutter, the US trade representative, had telephoned Mr De Clercq to reject the EC compromise proposal put to him in Brussels at the weekend.

This was that petfood, accounting for more than 20 per cent of US meat sales to the EC be at least temporarily excluded from the hormone ban, and that – as partial compensation for the ban – the EC raise its quotas on high-quality "Hilton" US beef imports.

US meat sales to the EC are worth $130m a year. The community sells $100m worth of food and beverage products to the US a year. Last year the US warned that it would exclude $100m a year of Community products from the American market if the ban went ahead.

The dispute may, however, widen following a recent complaint by the US Meat Industry Trade Policy Council to the US Administration that EC meat is unhealthy because some of it contains residues of illegally produced and used hormones.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	12	54	Dubrovnik	F	12	54	Malta	F	18	64	Rhodes	F	18	64
Algiers	F	23	77	Edinburgh	S	04	39	Manchester	S	02	36	Rio de Ja'o	C	[illegible]	[illegible]
Amsterdam	C	05	41	Faro	S	17	63	Manila	F	32	90	Rome	R	[illegible]	[illegible]
Athens	C	19	66	Florence	C	06	43	Melbourne	R	15	59	Salzburg	C	-5	23
Bahrain	F	23	73	Frankfurt	F	00	32	Mexico City	C	25	77	San Francisco	R	13	55
Bangkok	F	32	90	Funchal	S	21	70	Miami	C	28	82	Seoul	C	14	57
Barcelona	S	08	46	Geneva	F	03	37	Milan	S	07	45	Singapore	R	27	81
Beirut	F	[illegible]	[illegible]	Gibraltar	C	17	63	Montreal	C	01	34	Stockholm	C	-1	30
Belfast	F	05	41	Glasgow	S	08	46	Moscow	C	-6	21	Strasbourg	S	-4	25
Belgrade	C	-1	30	Guernsey	S	07	43	Munich	F	-6	21	Sydney	F	23	74
Berlin	F	-1	30	Helsinki	C	-1	30	Nairobi	R	20	68	Taipei	F	27	81
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Canada

Continued from Page 1

ister, and Mr Tom McMillan, Environment Minister, lost their seats.

The two main opposition parties had mixed feelings regarding the results.

Mr Turner's Liberals more than doubled their Parliamentary representation to 82

Mr Ed Broadbent's left-of-centre New Democratic Party (NDP), meanwhile, won more seats (43) than ever before, but singularly failed to make the nationwide breakthrough on which they had wagered. Once again, the party did not win a seat east of Ontario.

Brazil looks at debt plans

in New York yesterday.

Brazil has promised to convert up to $1.8bn over the next three years with sellers earning the full face value of their loans in cruzados.

That is a departure from current practice under which banks must accept a discount.

Mr Sergio Amaral, secretary for international affairs at the Brazilian Finance Ministry, was yesterday reported as giving assurances that the Government had no intention of reneging on that agreement.

Mr Kenneth Baxter, corporate finance director of Bozano Simonsen, a leading Rio de Janeiro investment bank, said yesterday that the banking community was now convinced it would be made "a sacrificial lamb."

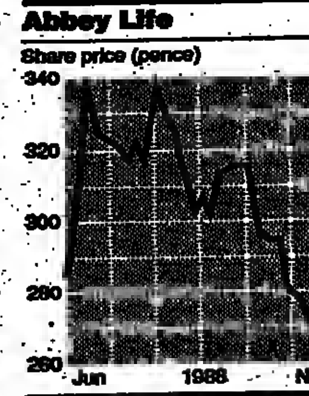
"Everyone is preparing for the next debt auction as if it will be the last," he said. "It is a tremendous step in the wrong direction for medium and long term investment policy in Brazil."

Last month, concern over the future of the programme provoked a record level of discount, averaging 38 per cent.

THE LEX COLUMN

Adding value to the books

In transforming its balance sheet by the valuation of brands, RHM is taking to its conclusion a process which has been bubbling along furiously since the Rowntree bid six months ago. The specific benefits are clear: RHM more than trebles its net worth, bangs its gearing down from 43 per cent to 13 per cent, and creates a framework for eliminating the goodwill element in future acquisitions. More generally, industry is jumping ahead of the accounting profession on a matter of principle. A balance sheet may not strictly be there to represent value, but until it does, industry can justly argue, it scarcely has a function at all.



Granted, RHM's method is pretty rough. Of total intangibles of £678m, £41m represents acquired brands. For the rest, the easy bit consists of ranging brands by various criteria on a scale up to 100. The hard part then comes in fitting that curve to an absolute scale of p/e multiples. In practice, RHM's advisers seem to have taken as top of the scale the p/e of 33 or so assigned to an index-linked gilt. The snag in the comparison is not only that no brand is riskless, but that no worthwhile brand is ex-growth either. As to depreciation, RHM goes the whole hog: every brand is assumed to have eternal life, subject only to triennial review. More fundamentally, brands account for only half of RHM's sales; the unbranded businesses such as flour milling will certainly have value distinct from that of their tangible assets, but there is no attempt to define it.

All that apart, it is surely better to try for imprecise reality than settle for precise fiction. There is already the risk that the only financial statement heeded by investors is that of cash flow. Anything that tends to reinstate the balance sheet and profit and loss account as tools of analysis can only be useful.

Canadian election

The Conservative victory in the Canadian elections has removed a shadow overhanging the world's fourth largest stock market, but in the short term at least it is far more significant for the level of the Canadian dollar than the local stock market. If Canada had voted down the free trade agreement with the US, the Canadian dollar would have sunk below 80 cents, whereas now it could soon challenge its highest level in a decade. But the symbolic importance of the free trade vote should not be overestimated. Indeed, the currency began to slip yesterday as soon as the near 300 basis point short-term interest rate differential with the US began to narrow.

The fact that Canada has decided not to swim against the global trend towards greater liberalisation of business and trade should be good for Canadian equities over the long term. But for the moment, the course of US interest rates, commodity prices and world economic growth are much more significant; and on this score nothing has changed.

Abbey Life

It is a funny sort of bid premium which is funded, at least in part, by the company which is being bid for. But that is what Abbey Life is asking shareholders to accept: a hand-out which might amount to something like 25p a share above their normal gross dividend expectations for this year and next, some of it coming from the earnings of the company which they already own. That may not look like much next to the 100p premium which was the stuff of market expectation only just over a month ago: but it was enough yesterday to provoke an attack of realism among some institutions which had opposed the deal on the principle that loss of control should have its price. With the help of a show of studied nonchalance on the part of Lloyds, and a total lack of bid interest from the rest of the world's insurers, Abbey looks to have reduced those price expectations to a level it can live with. And by picking up the goalposts and moving them effortlessly from the point of 75 per cent approval to that of a simple majority, Abbey has made success likely the second time round. Why two attempts should have been needed to push through a virtually identical deal is a question which Abbey will no doubt be exploring with its advisers.

Lloyds, for its part, gives up little more than a controlling vote on the merged company's board; but, with 57.6 per cent of the shares, that ought to be the sort of problem Lloyds could get round as soon as the first AGM, if necessary.

Preference shares

Given that the outstanding UK preference share market is probably no bigger than £400m, it would not do to exaggerate the significance of Bank of Scotland's trail-blazing issue of non-cumulative irredeemable preference stock. A £100m issue of effective equity capital is very useful for a bank with a net worth of £650m, and a very substantial sum in a market where £25m issues count as large. But will the market be able to satisfy the appetites of such as Barclays and NatWest? A running yield some 250 basis points over long gilts has definite attractions in a shrinking fixed interest market, and Bank of Scotland has found a novel way of satisfying investors' concerns about non-cumulative dividends. However, the lack of liquidity in the secondary market, and traditional resistance to undated issues, probably mean that this is never going to be as important a source of bank capital as the perpetual FRN market was in its heyday.

Merger procedure

From the megabid point of view, the changes to merger procedure in the Queen's Speech look fairly inconsequential. The stream of unheralded small mergers will presumably run somewhat smoother as a result of the pre-notification system, and at least some references may be avoided by the introduction of enforceable plea-bargaining at the OFT level. Making companies pay the cost of referrals, too, seems equitable enough, though some companies might prefer to see the principle extended to include compensation for the costs of fighting off hostile bids. And if radical change were in the air, a laissez-faire government could surely devise a method of merger control which did not expose it to intense public scrutiny in contentious bids, not once but twice – before a reference, then before its conclusion.

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INSIDE

Getting curiouser and curiouser

The EC's price support regime for sheep and lamb is something of a curiosity as the system operating in the UK differs from that in the rest of the community. The European Commission is anxious to have a uniform, and less costly, regime in place for the advent of the single market in 1992 but, as Bridget Bloom reports, Commission reform proposals have found little favour with member countries. Page 42

SEC carrot and stick

A new era in international co-operation in combating suspected insider trading is about to begin. US legislation, due to be signed by President Reagan shortly, will allow the Securities & Exchange Commission to offer a carrot to foreign authorities whose help it needs to enforce securities laws and to investigate their infringement. A.H. Hermann reports. Page 31

Gulf air war hots up

The airline race in the Gulf is hotting up. Following the end of the eight-year war, rival carriers — Dubai's Emirates and the Bahrain-based Gulf Air — are competing to be the first to gain access to the potentially lucrative Iranian market. Robin Allen in Dubai examines the economic and political dimensions to the battle for routes. Page 27

Innovative Finns to the fore

From perennial also-ran to one of Finland's most innovative and aggressive financial institutions, Skopbank has in the last four years transformed itself from a central bank service for local savings banks into a powerful group of industrial and financial companies. Olli Virtanen in Helsinki examines the company's expansion strategy. Page 28

HCA agrees $3.6bn buy-out

Hospital Corporation of America, the largest hospital chain in the US, has agreed to a management-led buy-out worth about $51 a share or $3.6bn after failing to attract any higher offers from outside bidders. Anatole Kaletsky reports on the bad news for arbitrageurs and some shareholders. Page 26

Hangover for Canadians

The Canadian business community woke up with a hangover this morning. Celebrations continued late into the night as the scale of the ruling Progressive Conservatives' majority became clear and the contentious free trade deal with the US was secured. Andrew Marshall in Toronto reports on post-election mood on Bay Street. Page 34

Chief price changes yesterday

FRANKFURT (DM)				SKF	480	+	31
Rises				**Falls**			
[illegible]	389	+	4	[illegible]			
Drckw Babcock	157.5	-	23	[illegible]	2950	-	77
[illegible]				Lucas	281	-	67
[illegible]	215.2	-	18	SEB	750	-	24.5
[illegible]	185	-	3.5	Sligos	771	-	30
[illegible]	363.1	-	13	**TOKYO (Yen)**			
NEW YORK ($)				Rises			
Rises				Kyoei Tanker	786	+	100
Atlantic Rich.	78⅞	+	1⅞	Tokai Carbon	870	+	100
Emhart Corp.	10⅜	+	1⅝	Ind Cement	1080	+	106
Ford Motor	53⅜	+	1⅜	Falls			
Ryder Sys.	24⅝	+	1	Nihon Fabric	1130	-	110
Falls				Calpis Food	1220	-	110
Hosp.Corp.Am.	43⅝	-	3⅝	Dai Nippo Tor	1140	-	90
United Video	11⅜	-	1⅝				
PARIS (FFr)							
Rises							
Locafrance	434	+	34				

New York prices at 12.30.

LONDON (Pence)							
Rises				Reckitt &Colman	918	+	8
Abbey Life	294½	+	26½	Ry.Life.of Scot.	357	+	8
Airtours	157	+	6	Shaftesbury	185	+	7
Berisford(S&W)	414	+	13	Shell Trans.	988	+	14
British Land	398	+	9	[illegible]	280	+	14
Brown (N)	175	+	8	Woolworth	331	+	6
Calor Grp.	398	+	13	**Falls**			
Empire Stores	231	+	9	[illegible]			
Eurotunnel	416	+	6	[illegible]	465	-	35
JSB Elect.	295	+	25	Cornwells Est.	245	-	8
Lloyds Bk.	335½	+	11	BWR Grp	835	-	30
Lon. Merchant	107	+	6	Morgan Grenfell	307	-	8
Nat West Bk.	547	+	9½	Parkway	256	-	19

How to make a quick $800m

James Buchan on the men behind Triangle's deal with Pechiney

If Wall Street ever turns against junk bonds, it should remember Mr Nelson Peltz and Mr Peter May. For junk bonds have been good to them.

In 1983, the two New York businessmen had only a controlling interest in Triangle Industries, a company making wire and cable products, vending machines and jukeboxes, to show for years on the wrong side of the business tracks.

On Monday, Mr Peltz and Mr May announced they were selling out their controlling interest in American National Can, for $834m to Pechiney, the French aluminium producer. Though Pechiney is paying in securities, not cash, this is an eye-popping return for businessmen who borrowed every cent of their investment.

Mr Peltz started his career in his family food company but was known more for a love of luxury than for success in business. Mr May had been an accountant at Peat Marwick.

To finance his original $10m-odd Triangle stake, Mr Peltz took a second mortgage on his summer house in eastern Long Island.

Then Mr Peltz met Mr Michael Milken, the controversial financier who has transformed US corporate finance by creating a market for the "junk" securities of small, risky and highly leveraged companies. From his office at Drexel Burnham Lambert in Beverly Hills, Mr Milken raised more than $2bn for the pair and set them off on a bankruptcy-defying string of highly leveraged acquisitions in the packaging and chemicals industries.

By last year, they had together assembled the world's largest and most indebted packaging company, with sales of $4.1bn and $2.5bn in bank borrowings and junk bonds.

Wall Street cannot make up its mind about Mr Peltz and Mr May. For a long time, investment bankers thought of them as simply Mr Milken's pawns. Some bankers derided claims that they were "wizards of low-tech" and made fun of Mr Peltz's extravagance, including one of the highest salaries in corporate America.

Ms Connie Bruck, Mr Milken's biographer, describes Mr Peltz as just "an exquisitely useful functionary" of the junk-bond king.

By all accounts, Mr Milken gave them their break in business in the spring of 1985. He was trying to orchestrate a takeover of National Can but none of his usual takeover specialists, such as Mr Victor Posner or Mr Carl Icahn, would handle the risky and leveraged deal.

Mr Peltz hurried to Beverly Hills. "I said to Mike, I want the deal," he told Ms. Bruck. "I don't want you to finance it for anyone else, I'm not leaving till you agree."

Mr Milken not only agreed, he raised $565m for Triangle to take over National Can and a further $600m to finance the purchase of the packaging arm of American Can the next year.

When the stock market crash drove down Triangle's stock price, Mr Peltz and Mr May staged a partial leveraged buy-out with yet more junk bonds. Drexel Burnham also financed an attempt to build a Triangle-style acquisitions vehicle in the chemicals industry, Uniroyal Chemical, but this has not been a success and the business is for sale.

This week's transaction with Pechiney has made Wall Street rethink its scepticism about Mr Peltz and Mr May. "If you invest no money and a few years later you make $830m, you have to have a brain," said Mr Bruce Grossman, a junk bond analyst at Kidder Peabody in New York. "Their internal rate of return will be a textbook case."

Everybody agrees that the two had a great deal of luck. The decline in interest rates in 1986 allowed them to refinance the National Can debt more cheaply just when demand for metal cans was growing to absorb available capacity. Operating income soared from $131.5m in 1985 to $321.9m in 1987, allowing Triangle to absorb the new debt for the American Can operations without a rupture.

Analysts say that Mr Peltz and Mr May could easily have pursued a slash-and-burn management strategy, draining cash out of the mature packaging business to finance other ventures.

Instead, Triangle officials say they concentrated on creating a company which with 26 per cent of the metal container market in the US was an ideal candidate for takeover by a foreign company. In 1986 and 1987, Triangle spent $124.4m and $210.8m on its metal, glass and plastic container businesses, more than twice as much the depreciation or wear-and-tear on the assets.

"This is the number one company in the packaging field," says Mr Jean-Pierre Ergas, first executive vice-president of Pechiney and head of its packaging operations. "They've have a strong investment programme and there should be good productivity gains."

Triangle executives say that Mr Peltz and Mr May were already planning to expand American National into less mature beverage can markets. They were also considering some form of backward integration into aluminium production. "We saw our entire strategy realised with Pechiney," one Triangle executive said.

What has most impressed Wall Street is the price paid for Triangle. Pechiney is paying five times the recent market price for the common stock and, through a subsidiary, offering to buy out all of the junk bonds issued by Triangle during its acquisition spree at premiums to their heavily discounted prices. "Bondholders haven't made out too well from Peltz and May, so this is their way of cleaning up the situation," says Mr Grossman of Kidder Peabody.

Mr Peltz and Mr May are buying back the old Triangle wire and cable business, its name and various other bits and pieces for $225m next April. Wall Street expects them to come back to the junk bond market for another Triangle acquisition.

This is the great irony of the story. Mr Milken is fighting a last ditch battle to prevent the US Justice Department from indicting him on racketeering charges. But his so-called pawns are now kings in their own right. In the Pechiney transaction, Mr Peltz and Mr May used no outside financial adviser, Triangle says.

Triangle's Nelson Peltz was once more renowned for his love of luxury than his business success

Abbey Life alters Lloyds merger terms

By Nick Bunker in London

ABBEY LIFE, the UK-based life insurer, yesterday launched a second attempt to push through its controversial merger with Lloyds Bank, making technical alterations to the merger's terms to reduce the majority required for approval at a shareholders' meeting.

In a move designed to soothe some investors' anger at the fact that Lloyds was gaining control of Abbey without paying a bid premium, Abbey is also proposing to make a special £42m ($78m) dividend payment from which Lloyds will be excluded. Abbey shares closed last night up 26.5p at 294.5p.

The signs in the City last night were that Abbey's chairman, Mr Michael Hepher was likely to succeed this time in winning approval for the plan, after personally sounding out 20 of his largest shareholders in the last week.

His original proposal was voted down at an extraordinary general meeting on November 14 when the board failed to gain a necessary 75 per cent majority in favour.

It would have given Lloyds 57.6 per cent of Abbey, in exchange for a merger of the life insurer with the bank's own life assurance, estate agency, unit trust and insurance broking arms, and its finance house, Lloyds Bowmaker.

The new proposal preserves the deal's basic structure, but Lloyds has agreed to waive a provision requiring a change in Abbey's articles of association to place three Lloyds Bank nominees on Abbey's board.

This means that Abbey will need only a 50 per cent majority to approve the plan at an extraordinary general meeting on December 9, rather than the 75 per cent required by the initial scheme.

In addition, if the merger goes ahead Abbey will pay a special 18p per share dividend to shareholders for 1988, in addition to a final dividend of 13.5p. Abbey will recommend a 17p net dividend for 1989, and says that from 1990 onwards it will recommend dividends in line with earnings per share.

Mr Hepher said this would be "a substantial reassurance for shareholders," helping persuade them of the management's faith in the potential for enhanced earnings.

There were indications yesterday that this has already swayed some former opponents of the deal. One of them, Clerical Medical life assurance, with 3.4 per cent of Abbey, said it was now "quite likely" to vote in favour.

Abbey still faces outspoken opposition however from two large British institutional investors, the Postel pension funds with 4 per cent and Scottish Equitable life assurance, with 1 per cent.

Mr Tom Crombie, Scottish Equitable's chief investment manager, said: "Any pretence that Mr Hepher was representing shareholders has gone. He is giving away the company against the shareholders wishes."

Mr John Stubbs, deputy director of PosTel Investment Management, said last night that Abbey's board "had tinkered with the terms. Our fundamental concerns have not been addressed."

A row also threatened to blow up yesterday over reports that Abbey Life's broker, Warburg Securities, bought large volumes of shares for clients just before yesterday's announcement. Stock Exchange officials are understood to have received some complaints from some market makers.

Mr Michael Hesketh, the Warburg Securities director acting for Abbey, said that no-one at the firm except himself had any prior knowledge of the new terms.

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RHM to value brands at £678m in 1988 accounts

By Nikki Tait and Richard Waters

IN AN innovative move, Ranks Hovis McDougall, the British bakeries and food group which was the subject of an abortive £1.7bn bid from Sydney-based Goodman Fielder Wattie this summer, yesterday announced that it would be valuing its brands at £678m in its 1988 balance sheet.

Most British companies have not until now attempted to value brands in their accounts. However, the issue of "brand valuation" came to the fore in the Nestle/Rowntree bid battle — earlier this year and since then Grand Metropolitan has made a move in this direction in respect of certain recently-acquired brands.

RHM, however, is taking the concept a stage further by making a valuation in respect of more than 50 brands — many of which have been part of the group for years and include products such as Mother's Pride and Hovis bread, Bisto, Mr Kipling cakes, and Robertson's jams. It claims to be the first UK company to carry out such an exercise.

RHM stressed, though, that the value placed on its brands was not a market value but one based on current cost.

The announcement accompanied publication of full-year RHM profits which showed £156.6m before tax compared with £116.1m last time.

GrandMet challenges Panel in High Court

By Raymond Hughes and Lisa Wood

GRAND Metropolitan, the UK drinks group, is to challenge in the High Court the decision of the Takeover Panel which left its rival, Pernod Ricard, in apparent control of Irish Distillers.

The Panel ruled that Pernod's breach of the Takeover Code, in winning the support of some Irish Distillers shareholders, was not sufficiently serious to ask the French group to release those shareholders from their undertakings.

Within hours of the Panel refusing GrandMet leave to appeal its Irish subsidiary, GC & C Brands, obtained leave to seek judicial review of the decision with a view to having it quashed.

Leave was granted at 11pm on Monday by Mr Justice Brooke, the duty High Court judge, at his home. He directed that the case should be heard as soon as possible. GrandMet said yesterday it hoped to get to court this week.

The judge also granted a "stay" of the Panel's decision. Last night there was disagreement between GrandMet's and Pernod's lawyers over whether that prevented Pernod, which claims a stake of 53 per cent in Irish Distillers, from declaring its offer unconditional.

GrandMet's view is that the stay prevents the offer going unconditional until the judicial review. Pernod said that if it got the green light from the Irish Government there was nothing to stop it declaring the offer unconditional on Friday.

That dispute may have to be resolved by the court if GrandMet cannot get a full judicial review by Friday.

The Panel said yesterday that it would be contesting GrandMet's application to the court.

The case will be only the second in which the panel has been taken to court since the Court of Appeal ruled in December, 1986, on a challenge by Prudential-Bache, the US securities house, in the takeover battle for the McCorqnodale printing group, that the panel's decisions were liable to judicial review.

Earlier this year Guinness unsuccessfully challenged the panel's finding that the company had breached the City Code by its involvement in a concert party purchase of Distillers shares.

One of the grounds on which GC & C Brands is challenging the panel's decision is that the panel ruled that proposals by Pernod Ricard involving a "shut out" was an offer for the purposes of the Code, an announcement of that offer had been required and the shut out should not have been "conducted by stealth". The panel failed to consider whether, had such an announcement been made, Grand Met would have been able to make, and would have made, an increased offer, giving shareholders a different choice.

Total buys 30% stake in Saga

By Karen Fossli in Oslo

TOTAL MARINE NORSK, the Norwegian subsidiary of Paris-based Total-CFP, is to purchase for NKr960m ($146m) a 30 per cent stake in Saga Petroleum, Norway's largest independent oil company, raising its holding to 35 per cent.

Total is to purchase for NKr638m, or NKr120 per share, the 20 per cent stake in Saga held by Aker, the large Norwegian industrial group. Aker had paid NKr443.5m, or NKr83 per share, for its Saga shareholding.

The Total unit will also buy Den norske Creditbank's (DnC) 10 per cent stake in Saga for NKr321m.

The surprise announcement from the French company's subsidiary came less than two weeks after Saga rejected an offer to merge with Elf Aquitaine Norge, the Norwegian subsidiary of Paris-based Elf Aquitaine.

Pressure for Saga either to merge or co-operate with a domestic or foreign oil group in an attempt to strengthen its financial position has built since August when a Norwegian official said that three fully-integrated Norwegian oil companies was one too many.

Major shareholders, which this year became disillusioned about Saga's future in the face of sagging oil prices, began to lean heavily on the company to seek a partnership. Earlier this month Saga posted a sharp drop in nine-month pre-tax profits to NKr163m against NKr340m last year.

Mr Gerhard Heiberg, president of Aker, said he was seeking to arrange a merger between Saga and Elf or Total-CFP although Mr Asbjoern Larsen, Saga's forceful president, has fought against a merger.

The invitation by Elf to open negotiations with Saga was the second failed attempt by the two to merge. It foundered on the French oil company's insistence on holding a majority stake in the merged company, which contrasted sharply with the view of Norwegian authorities.

However, the ailing financial positions of both Aker and DnC encouraged them to find a buyer for their Saga shares.

Although the deal brings to an end speculation over a potential Saga merger, it raises questions about how Norwegian authorities will view the deal. The authorities have protected the Saga's position by giving it quality stakes in major oil and gas fields and by approving development plans for the 700m barrel Snorre oil field.

However, in May, Mr Arne Oeien, Norway's oil and energy minister, announced his intention to sell all or part of the Government's 30 per cent stake in Snorre.

HCA agrees to $3.6bn buy-out by management

By Anatole Kaletsky in New York

HOSPITAL Corporation of America, the largest hospital chain in the US, has agreed to a management-led buy-out worth about $51 a share, or $3.6bn, after failing to attract any higher offers from outside bidders.

The HCA announcement was made from the company's headquarters in Nashville late on Monday night. It disappointed arbitrageurs and shareholders who had backed the initial rejection of the management's bid by a special committee of HCA's independent directors, led by Mr Irving Shapiro, the former chairman of Du Pont.

HCA's shares fell by $3¾ to $43¼ in heavy trading on Wall Street yesterday morning.

The share price decline reflected the fact that the management offer contained a cash payment of only $43 a share. In addition, shareholders have been offered preferred stock said by the management to be worth $4.17 a share and debentures with an estimated value of $3.83.

Dividends on the preferred stock would be payable with further stock issues, rather than cash, at the option of the company's management.

The buy-out group, led by Mr Thomas Frist, HCA's chairman, would inject only $300m of equity into the transaction, with the rest of the financing coming from a $4bn line of bank credit plus the debentures and preferred shares to be issued to shareholders.

On top of the $3.6bn purchase price for HCA's common stock, the buy-out group would take over more than $2bn of debt currently owed by HCA.

In addition to Mr Frist and other members of HCA's management, the group involves Mr Richard Rainwater, a celebrated financier who began his career as the chief investment strategist for the Bass brothers of Fort Worth.

The unusually high proportion of bank financing has been arranged by Morgan Guaranty and Chase Manhattan.

HCA's acceptance of the buy-out offer came after a much-vaunted but seemingly fruitless search by the independent directors for higher bids.

Among the companies rumoured to have been interested in buying HCA was Humana, the nation's second largest hospital chain. Kohlberg Kravis Roberts, the leading buy-out specialists, were also said to be contemplating a bid.

In the event, however, no better offers materialised and the HCA board was forced to accept the management group's best offer.

Charges push LTV $1.24bn into red

By Roderick Oram in New York

LTV, the second largest US steelmaker, has reported losses of $1.24bn for the third quarter and $3.25bn for the nine months because of special charges connected with its reorganisation under protection of the bankruptcy courts.

The nine-month losses include a $2.26bn non-cash charge retroactive to January for a change in accounting principles on retirees' medical and life insurance benefits.

US public companies usually account for these benefits as they are paid. However, the Financial Accounting Standards Board plans to issue a new rule later this year which will necessitate, from 1992, full disclosure of anticipated costs. The move will require US companies to make large charges.

LTV said it was taking the write-off early while it was trying to restructure its finances through bankruptcy proceedings.

The additional third-quarter charges were $950m for creditors' claims, a $350m write-down on assets plus divestiture and rationalisation costs, and $41m for the write-off of goodwill on a 1983 acquisition.

In total, the write-offs increased LTV's negative net worth to about $5.3bn. It remained liquid, however, with cash or cash equivalents of $758m and a $480m bank line of credit.

Without the non-cash charges and a change in accounting principles, LTV would have reported net profits of $132.2m in the quarter against $109.7m a year earlier, and $453.7m in the nine months ended September 30 against $382m.

Sales slipped slightly during the quarter to $1.71bn from $1.75bn. They were essentially unchanged in the year-to-date at $5.65bn.

Third-quarter operating profits from steel were $80.9m, or $96.8m before another accounting change, up $14.1m from a year earlier. Demand for steel remained strong and LTV increased its sales of higher-margin products.

Texas Instruments seeks court ban on chip rival

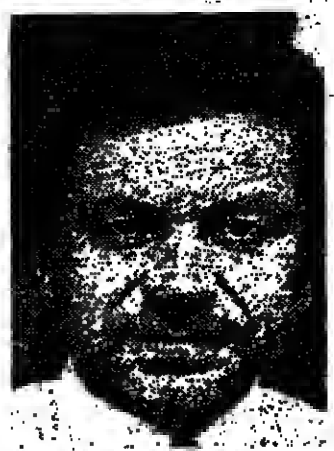
By Rod Oram in New York and Terry Dodsworth in London

TEXAS INSTRUMENTS, the US semiconductor manufacturer, is seeking a court order to stop Micron Technology, the Idaho-based chip producer part-owned by Amstrad of the UK, from making memory chips alleged to be infringing its patents.

An acute worldwide shortage of memory chips has driven up their prices and prompted Amstrad to pay $75m six weeks ago for a 9.8 per cent stake in Micron.

In return, Amstrad is entitled to 9.03 per cent of the US company's output.

Mr Alan Sugar, Amstrad's chairman, said yesterday that the company was already taking all the memory chips it could buy under the agreement with Micron. He dismissed the likelihood of a closure of Micron's production facilities, but added that there was likely to be an out-of-court settlement.



Alan Sugar: dismissed likelihood of closure

Texas Instrument's action comes at a time when Micron is making handsome profits out of the memory chip shortage after a long period of losses.

Although prices of standard memories appear to have stopped increasing recently, they are still at a high level and as yet are showing no signs of a decrease.

According to Mr Sugar there is unlikely to be much slippage in prices over the next six to eight months because several Far Eastern producers are reducing their capacity to make way for the next generation of memory products, which store four times as much information as the present range of chips.

Texas Instruments and Micron are the only two well-established US producers of dynamic random access memory chips (Drams), for sale in the open market.

IBM and AT&T make them for their own products, while Motorola is re-entering the field under a technology exchange agreement with Toshiba of Japan.

Mr Stan Victor, a spokesman for Dallas-based Texas Instruments, said: "We think it is pretty impossible to make Dram chips without using one of our patents."

In 1986 Texas Instruments filed suit against one South Korean and eight Japanese chip makers for infringing its patents.

The makers settled the suits by agreeing to pay royalties totalling $281m to date.

Texas Instruments said it had been negotiating similar royalties with Micron for more than six months but it refused "to accept a licence under terms which will provide a fair return on our investment."

Micron had no immediate comment on the suit filed in Austin, Texas, covering 256K and 1 megabit Drams and a range of video rams.

It seems highly unlikely, however, that a court will grant Texas Instruments a preliminary injunction halting Micron's output while lengthy legal proceedings determine the merits of the case.

Texas Instruments declined to specify the scale of royalty payments it was seeking. It said the figures varied in earlier cases depending on the comprehensiveness of the user's patent portfolio and other factors.

Générale units to unveil reshape

By Tim Dickson in Brussels

FABRIQUE Nationale de Herstal, the armaments group, and Gechem, the chemicals concern, two of the troubled subsidiaries of Société Générale de Belgique, will today unveil details of far-reaching restructuring plans which were approved last night by the parent company's main board.

The announcements are widely expected to cast a little more light on the overall strategy of La Générale, the powerful Belgian holding company which, following an unsuccessful takeover bid by Mr Carlo De Benedetti earlier this year, is now under the control of Compagnie Financière de Suez, the French investment bank.

The restructuring at FN and Gechem, respectively 51 and 52 per cent owned by La Générale, was foreshadowed in a statement just over two weeks ago which warned that failing a new initiative the two companies would run out of money by the end of the year.

La Générale would not comment on the details of the agreed packages last night but besides the provision of new capital they are thought to include new public sector support and job cuts.

FTC challenges Hoechst link

By Anatole Kaletsky in New York

THE US Federal Trade Commission has charged that the 1987 merger between Germany's Hoechst chemicals group and Celanese, the diversified US group, could substantially reduce international competition in the manufacture and sale of acetal, a specialty plastic.

The FTC charge, which must now go to trial before an administrative law judge, is unlikely to have much practical effect on the $2.8bn merger which created Hoechst Celanese. It could, however, lead to the company spinning off some acetal-producing facilities.

The charge was the second such anti-trust challenge to the merger. The first involved the much bigger issue of the two companies' polyester fibres production.

The FTC temporarily blocked the merger in February 1987 on the grounds that it would lessen competition in the US fibres industry. However, the dispute was resolved two weeks later when Hoechst agreed to sell part of the combined polyester fibres business within a year, a disposal which was completed in February this year.

Acetal, a plastic used in numerous applications ranging from car parts to disposable lighters, is a much less significant product for Hoechst Celanese than polyester fibre.

The company has declined to comment on the FTC move.

Strong third-quarter advance for Ames

By Our Financial Staff

AMES Department Stores, the rapidly growing US discount department stores group, recorded a strong advance in the third quarter and nine-month period.

The group acquired Zayre Corporation's troubled discount stores division in September this year for about $800m, but the Zayre unit's results are not included in the latest figures.

Ames, which after the acquisition became the third largest discount stores concern in the US, lifted net income in the the quarter to $10.7m or 28 cents a share, from $7.3m or 20 cents last time, on sales which rose to $547m from $512.7m.

In the nine months, net income rose to $24.4m from $16.1m.

Sales climbed to $1.6bn, from $1.45bn in the same period last year and earnings per share came out at 65 cents, compared with 43 cents.

At the time of the Zayre deal, Ames said the acquisition would create a chain with 736 stores and annual sales of $5.6bn. But analysts said Ames faced a daunting task in restyling the loss-making Zayre stores which, in the first half, recorded an operating deficit of $89m.

Co op in fraud investigation

By Our Financial Staff

A WEST GERMAN state prosecutor's office has begun an investigation into the Co op retailing group for alleged fraud and violations of securities laws.

Co op, which had part of its stock floated a year ago, is estimated to owe German and foreign banks about DM3bn ($1.74bn).

The prosecutor's office confirmed yesterday that the office was investigating whether Co op misrepresented its financial status in its prospectus when it went public in October 1987.

The inquiry was launched on November 7 and was still in the preliminary stages, it said.

So far, the investigation is focusing on Co op and no specific persons have been named.

Co op confirmed that creditor banks had been meeting to develop a joint strategy to deal with the indebted company. Mr Armin Peter, for Co op, said he would not deny reports that the banks were discussing a restructuring of the company.

The banks with the largest debt exposure are believed to be Swiss Bank Corp, which led Co op's initial public offering last year, Amro Bank of the Netherlands, Security Pacific Corp, and Svenska Handelsbanken of Sweden. Co op management representatives were not present at the talks, which focused on the company's current debt to banks.

Mr Peter added that creditor banks were likely to be present at the meeting of the Co op supervisory board on Thursday, which will also discuss the offer of Mr Bernd Otto, chairman, to resign.

Mr Otto has been widely blamed for overloading the company with debt and creating a complex and confusing ownership structure.

Officers of three of the creditor banks – SBC, Bank für Gemeinschaft (BfG), and Deutsche Genossenschaftsbank (DG-Bank) – already sit on Co op's supervisory board.

Hughes ends contract fight

HUGHES AIRCRAFT, a unit of General Motors of the US, has abandoned its fight to take a $3.6bn US Federal Aviation Administration contract away from International Business Machines, AP-DJ reports from Los Angeles.

Hughes' decision comes after the General Services Administration's board of contract appeals rejected Hughes' charges that wrong-doing by the FAA and IBM had tainted the bidding on the contract.

Under the 10-year pact, awarded in July, IBM is to modernise the US system of air traffic control workstations with computer equipment that can show flight paths, weather conditions and other data in multi-coloured displays.

INTERNATIONAL COMPANIES AND FINANCE

Airlines in the Gulf race for access to Iran

By Robin Allen in Dubai

THE RACE is hotting up between the Gulf states' two rival airlines, Dubai's Emirates and Bahrain-based Gulf Air, to be the first to gain access to the potentially lucrative Iranian market following the end of the eight-year old Gulf war.

Emirates is also trying to get full traffic rights into Saudi Arabia, to which Gulf Air, owned by the governments of Abu Dhabi, Bahrain, Oman, and Qatar, already has limited access.

Emirates will start flights to Iran on 1 February, according to Mr Mohi-Din Abdulkadir Binhendi, director-general of Dubai's Civil Aviation Department. His statement, to the local English-language Khaleej Times, came after talks between a federal UAE delegation led by Mr Mohammad Yahya al-Suweidi, assistant under-secretary for civil aviation at the UAE Ministry of Communications, and a five-member Iranian team led by Mr Ranai Ifar, the vice-minister of Aviation.

Dnbai officials later said Emirates hoped to have parity on routes and frequencies with Iran Air, which has four flights a week from Tehran, five from Bandar Abbas, and six from Shiraz – all to Dubai.

Emirates also held talks in Jeddah earlier this month with Saudi officials in its quest to operate daily flights to three Saudi cities – Riyadh, Jeddah, and Dhahran.

These are at present directly serviced from Dubai only by Saudia, the Saudi national carrier, which has twice-weekly flights.

Access to the kingdom would be an important gain for Emirates, since Saudi Arabia is the biggest regional market outside Iran and Iraq. The next round of talks is schedulled for Dubai next January.

According to Emirates' chairman Shaikh Ahmed Bin Said al-Maktoum, who is also president of Dubai's civil aviation department, the next year could also see Emirates adding three more destinations in Asia – Manila, Singapore, and Hong Kong – to its existing routes. It is also understood to be waiting for permission to fly into Kuwait.

Gulf Air, based in Bahrain, is expected to put np some resistance to Emirates' free-wheeling ambitions. The airline is a natural competitor for Emirates on routes to Iran, to which it plans to resume flights suspended since the outbreak of the Gulf war in September 1980. It already flies into Sandi Arabia's capital, Riyadh, and Dhahran in the Eastern Province, as well as to Kuwait.

Despite losses of BD2.8m ($7.4m) and BD2.2m in each of the past two years, it has not postponed plans to expand its fleet and is optimistic of returning to profitability this year. If this is the case, Gulf Air will consider floating 49 per cent of its shares to the public of the four shareholding states, Mr Abdullah Abdul Karim, the company's public relations director said on Sunday. Gulf Air has a paid-up capital of BD40m.

Iran Air has for years had unrestricted traffic rights into Dubai, which has increased its importance as a regional business centre all through the Gulf war when other regional cities were hit by economic recession. But industry observers say that Emirates as well as Gulf Air have a lot of hard bargaining to do to win entry into Iran. Reciprocity on air routes, they say, is not an Iranian tradition. Iran Air, for example, has four flights a week to both West Germany and Switzerland, but the national carriers of these two countries, Lufthansa and Swissair, have only one flight a week each in return.

They add that given Iran's shortage of foreign currency and its security concerns, there are several government agencies which will have a say before foreign airlines are allowed in, or before hard currency will be issued for the benefit of Iranian passengers wanting to book on foreign airlines.

In the case of Egypt, another country with acute foreign currency shortages, it takes Emirates a year before payment is cleared by the Egyptian central bank. In other countries, such as Saudi Arabia, traffic rights are controlled by the Ministry of Defence and Aviation, which administers Saudia. Civil air traffic in all Gulf countries is of direct concern to the military.

In addition, Emirates' recent success in opening up new routes – it now flies to 12 international destinations in western Europe, the Middle East and Asia – means routes could soon ontstrip the availability of aircraft. The airline owns and operates only two Airbus A310-300s and two Boeing 727s. From November 30 it is to lease an Airbus A300-600 from Kuwait Airways, which will replace an older A300B4 leased from Pakistan.

It is also taking delivery next year of an extended range A300-600 from Airbus Industrie, but this has already been delayed six months. If it had been considering further aircraft from Boeing, the delay would have been longer – up to 1993, according to airline sources

Gulf Air has plans to expand and is expected to resist the ambitions of Emirates

JVC shows recovery after expansion

By Gordon Cramb in Tokyo

VICTOR COMPANY of Japan (JVC), the video and audio products maker controlled by the Matsushita Gronp, has shown a marked trading recovery after two years in which it was largely sustained by financial gains.

Interim operating profits more than trebled to Y1.68bn ($16.7m) from Y531m, also surpassing the Y1.16bn recorded for the whole of 1987-88.

The company said the improved performance reflected the introduction of high value-added lines as well as expanded overseas production. JVC, which the previous year opened a television factory in Scotland, has just added facilities producing stereo equipment in France and Malaysia.

Sales were up 9 per cent at Y308.9bn. Although the latest period to September 30 was lengthened by 10 days, the adjustment to the accounting term accounted for only a small part of an improvement which lifted pre-tax profits by more than a quarter to Y10.49bn from Y8.34bn.

Net earnings donbled to Y5.94bn compared with Y2.98bn.

JVC said it showed growth above the industry average for ranges including large-screen colour TVs and the new super-VHS video cassette recorder format.

Exports, which account for half of its business, were up 4.2 per cent despite the influence of the high yen and inroads made by producers in newly industrialised countries.

Japanese camera groups ahead

By Stefan Wagstyl in Tokyo

OLYMPUS OPTICAL and Asahi Optical, two leading Japanese makers of cameras and medical equipment, yesterday reported improved interim results due to strong sales of compact cameras fitted with zoom lenses.

Olympus reported Y4bn ($33m) in parent company pre-tax profits in the six months to the end of September, on sales of Y65bn. No comparable figures were available since the company changed its year-end in 1987.

However, the group said sales were 6.5 per cent higher than in the six months to the end of April 1987 and profits were 30.2 per cent up.

For the year to March 1989 Olympus forecast sales of Y136bn and profits of Y8.6bn – that represented gains of 11 per cent and 22.5 per cent respectively in the year to November 1987.

Asahi reported a profit of Y20m pre-tax, compared with a loss of Y1.4bn in the same six months in 1987. Sales showed a 5.5 per cent improvement at Y34bn.

The company, which markets Pentax brand cameras, has been hit hard by the strength of the yen.

Break-even at Tateho

By Gordon Cramb in Tokyo

TATEHO CHEMICAL Industries of Japan returned to break-even in the six months to September after a disastrous excursion into the domestic bond futures market a year earlier left it with net losses of Y24bn ($292m).

This time it managed meagre earnings of Y391m before tax and Y480m net. The company said it and also now eliminated a Y6.67bn deficit on shareholders funds which arose the futures write-offs.

A return to dividends remains some way off as Tateho struggles to rebuild its capital base. In April it made a share placing to aid the process.

Sales of the company, which makes electric heater parts, rose 17.3 per cent to Y3.32bn.

Shell to acquire stake

SINGAPORE AND Japan will let the Royal Dutch/Shell Group take a 30 per cent stake in a Singapore ethylene complex owned 50-50 by Japan and Singapore, according to Temasek Holdings, the state holding company, Reuter reports from Singapore.

Shell will acquire the stake in Petrochemical Corporation of Singapore (PCS) from the Singapore Government.

The $2bn ethylene complex opened in 1984 as a national project between Singapore and Japan. It is owned 50 per cent by Singapore, 10 per cent by the Japanese Government and 40 per cent by Japan Singapore Petrochemical, which is led by Sumitomo Chemical.

The talks between Shell and Japan began in April this year after Shell proposed to buy the stake held by Singapore.

The Japanese companies had opposed Shell taking a share in the complex on the grounds that it is a venture between Japan and Singapore, industry sources have said.

Sigma-Aldrich purchase

By John Wicks in Zurich

SIGMA-ALDRICH, the US chemicals company, is to buy a 95 per cent stake in Fluka Chemie, a Swiss-based manufacturer of laboratory chemicals.

The acquisition, subject to regulatory approvals, involves 1,898 of Fluka Chemie's 2,000 registered shares.

These had been bought in 1968 by the Basle chemical gronps Ciba-Geigy and Hoffmann-La Roche, which now wish to dispose of them.

Fluka Chemie, whose headquarters are in Bnchs, is among the best-known producers of special laboratory chemicals and has sales of some SFr80m ($55m) a year.

Dividend is restored at gases group

By Gordon Cramb in Tokyo

OSAKA SANSO, the Japanese industrial gases gronp in which BOC of the UK owns 25.4 per cent, has restored its dividend after boosting annual pre-tax profits 177 per cent to Y1.37bn ($11.2m).

The record result for the year which ended in September was attributed to a recovery in demand from such customers as steelmakers and the semiconductor industry. Rationalisation efforts also played a part.

The company is paying Y4 a share in dividends and expects to lift this to Y5 in the current year. This would return the payment to the 1985 level, after which it was cut to Y3 and then omitted last year.

Sales rose 11.4 per cent to Y41.9bn, despite the reported disposal of some operations to Iwatani International, a gas trading company. Osaka Sanso forecasts further progress this year to revenues of Y44bn and taxable profits of Y1.6bn.

CORRECTION

Suntory

BECAUSE of an agency error, the trading performance of Suntory, the Japanese beverages producer, was misstated in the Financial Times of November 21. Spirits have in fact been profitable in recent years although sales for the six months to September showed their first upturn in four years.

Dorbyl registers 36% gain at pre-tax level

By Jim Jones in Johannesburg

SOUTH AFRICA'S economic predicament – sluggish fixed investment spending and short-term growth based on consumer spending – has been underscored by Dorbyl, the diversified engineering group.

The group lifted its sales by 20.4 per cent to R2.08bn ($875m) in the year to September 30 from R1.72bn in the preceding 12 months. However, Mr Dawid Mostert, the chief executive, says divisions reliant on fixed investment continued to operate at low activity levels, while divisions linked to private consumption expenditure performed well.

Operating income before finance charges and tax rose to R129.0m from R97.5m and pre-tax profit jumped 36 per cent to R105.8m from R77.9m.

Mr Mostert believes profits will increase in the current financial year even though the economy as a whole is expected to slow. He believes there are import replacement opportunities and says the heavy manufacturing divisions will increase their activity.

Earnings rose to 245.5 cents a share from 180.4 cents and the year's dividend has been raised to 77 cents from 62 cents.

INTERNATIONAL COMPANIES AND FINANCE

Brierley makes A$828m bid for Woolworths

By Chris Sherwell in Sydney

INDUSTRIAL EQUITY (IEL), the Australian arm of Sir Ronald Brierley's New Zealand-based empire, yesterday launched an A$828m (US$711m) bid for Woolworths, the struggling Australian retail chain in which it has built up a disputed 42.5 per cent stake.

The move followed heavy pressure from the National Companies and Securities Commission (NCSC), Australia's share market watchdog.

The commission had challenged the sudden doubling of IEL's Woolworths stake to 40 per cent, through the acquisition last year of a major 30 per cent stake in Rainbow Corporation, a New Zealand company.

That transaction appeared to give Sir Ron control of Woolworths without having to make a bid, and thereby involved an alleged breach of the Australian companies code. IEL has always denied this, but the NCSC took the matter to court and won an initial supporting judgment which IEL intended to appeal.

After intense negotiations with the NCSC, IEL this week reached agreement under which it will make a A$3.65 per share cash bid for the shares in Woolworths which it does not already own. The figure is some 20 cents above market price, and is the highest paid by IEL over the past four months.

IEL will also pay the NCSC's and Woolworths' various costs and make a separate A$1m payment to the New South Wales Treasury, a sum it would have received had the NCSC won its court battle. In return, all court proceedings have been dropped.

Woolworths, which is unrelated to the British and US department stores of the same name, is Australia's second most important retailing group after the heavily dominant Coles Myer. However, it has lacked direction and been in decline for some years, a reason IEL first became interested in it.

Under Mr Paul Simons, the group is now struggling to reclaim its former market strength – in September it announced a small interim profit after a loss in the same period the previous year. However, it still has a long way to go and a full turnround will take some time.

The value of A$828m which the IEL offer puts on Woolworths includes convertible notes, of which IEL has a significant holding.

If successful, the acquisition will increase IEL's trading base, one of the goals of the Brierley empire's current restructuring.

Under this, Brierley Investments in New Zealand is acquiring IEL's interest in the Hong Kong-based Industrial Equity Pacific. IEL will receive some A$1.27bn which, on top of its other cash resources, means the Woolworths bid is easily affordable.

In Sydney yesterday, Mr Rod Price, IEL's chief executive, called the bid "significant" for IEL after it had been a patient shareholder for two and a half years. He said it was a "milestone" in its relationship with Woolworths, and insisted it was "not an acrimonious exercise".

But he also declared it was not the result of NCSC pressure. IEL, he said, remained adamant that no breach of the companies code had occurred when it doubled its 20 per cent stake through the Rainbow deal.

Losses at Krupp could come to DM100m

By Andrew Fisher in Frankfurt

FRIED. KRUPP, the hard-pressed West German steel and engineering group, said yesterday that it could plunge into a loss of up to DM100m ($58m) before tax this year as a result of heavy losses in its industrial plant division.

Krupp, in which the Government of Iran has a 25 per cent stake, said profits from its other activities would probably not be enough to compensate fully for the deficit on the plant side, where turnover this year is likely to be 18 per cent down on last year's level of DM2.3bn.

As well as suffering from the poor state of the world market for industrial plant, Krupp is also paying the price for its own slow reaction. A large part of the losses on plant activities stem from restructuring costs, including capacity cuts.

The expected loss for 1988 comes after a sharp drop in profits in 1987, when the pre-tax figure was down by 36 per cent to DM 165m. Net profits this year were 67 per cent lower, at DM 42m.

Krupp said its mechanical engineering, electronics, and trading companies would end the year in the black, as would steel, where full provision has been made for the closure of the Rheinhausen plant.

Krupp did not state the size of its likely industrial plant losses, which totalled DM161m before tax in 1987. However, these are expected to exceed DM300m in 1988 before improving in the next two years.

Total plant orders will be 1 per cent lower than the DM2.2bn of 1987. Metals technology, mining and handling, structural engineering and food engineering have all experienced a steep decline, while there has been a rise in mobile cranes and cement plant.

Total group turnover should rise to DM14.6bn, from DM14.1bn. The order inflow, 12 per cent higher at DM11.3bn after nine months, should amount to DM15.3bn, against DM14.7bn. Borrowings, DM3.5bn at the end of 1987, will be reduced by between DM300m and DM400m.

Krupp declined to make any comment about the possibility that Iran would sell its stake. Tentative talks took place earlier this year between Iran and Westdeutsche Landesbank, but no conclusion was reached.

Skopbank hankers for a bigger arena

Olli Virtanen profiles a Finnish bank with an aggressive ambition to expand

As a world-class equestrian, Mr Christopher Wegelius has never been shy of hurdles. At the reins of Skopbank, the managing director and the chief executive elect has helped to elevate the Finnish savings bank group from a perennial also-ran to one of the country's most innovative and aggressive financial operators.

In the past four years, Skopbank has built itself a family of industrial companies and a range of financial institutions. It pursues a highly aggressive policy on the capital markets. It recently made a FM495m ($120m) public share issue which was subscribed four times over in two days. Its own listing on the Helsinki Stock Exchange is expected before the end of this year.

Skopbank is an old man in a hurry. Set up by local savings banks in 1908 to provide central banking services for them, its network now includes 220 savings banks, of which 23 control 62 per cent of Skopbank.

In 1985 the concept of Skopbank as a service institution was transformed into that of a virtual commercial and investment bank. As Mr Wegelius explains it, Skopbank now divides its operations into three main functions – a non-profit-making "central bank" for the savings banks, corporate finance and investment banking.

It also aims to expand rapidly on the international markets, with banks and representative offices currently in nine countries.

Skopbank earlier this week said it will sell its stake in the Luxembourg-based Banque Nordeurope (BNE) to Swedbank of Sweden. Each of the two savings bank groups own 50 per cent of BNE. Skopbank will compensate for the sale by setting up a fully-owned unit in Luxembourg next year. It also plans to open a New York branch office during 1989.

The savings bank group, says Mr Timo Siiaste, head of public affairs, is like a boxing team. The manager places one fighter in each (geographical) category, provides him with a shirt and gloves, but leaves it up to the fighter to decide how to knock out competition.

This strategy was based on the liberalisation of Finland's money and capital markets in the mid-80s. The old concept, Mr Wegelius reminisces, would have left Skopbank and particularly the savings banks to wilt in the heat of increasing competition.

The fast pace of reform has also produced results. The bank's operating profit has doubled during the past two years and is expected to top FM1bn this year. This equals the combined operating profit of all the 220 savings banks.

Net profit before appropriations amounted to FM262m for the first half of 1988, compared with FM479m for all 1987. Total assets at end-June were FM52bn.

Skopbank's reputation for aggressiveness was largely created on the domestic capital markets. It has had a foot in the door in most of Finland's contested takeover bids, starting with the fight for Bank of Helsinki in 1985, in which Skopbank amassed a 30 per cent holding and eventually sold it to Union Bank of Finland (UBF).

In December 1986, Skopbank acquired the Industrialisation Fund of Finland (IFF), the corporate finance institution until then controlled by the country's major banks. In this case UBF reciprocated by selling its stake in the IFF to Skopbank, helping it to gain control.

Christopher Wegelius: firm hand on the reins

The biggest scoop was the acquisition of control of Tampella, the Finnish metal and forest products group, in March 1987. The deal provided Skopbank, whose clientele was largely based on small and medium-sized companies, with an "industrial flagship."

Mr Wegelius comments: "We very much wanted to take active part in the restructuring of Finnish industry." Skopbank contributed to the restructuring by setting up Interpolator, a developing company which effectively controls Tampella via the Skopbank. The banking group's total stake in Tampella, which has annual sales of FM5bn, is 37 per cent.

Interpolator also has a majority stake in Labsystems and Safematic, two Finnish high-technology companies. The acquisitions and the bank's equally impressive dealings in portfolio investments were masterminded by Mr Juhani Riikonen, the brash head of the investment banking division, whom his colleagues fondly call the "heat-seeking missile."

Mr Riikonen's well-publicised comments, such as aiming to make "a minimum of FM1m a day net" for the bank, made him a controversial figure, but he also boosted the savings banks' self-confidence.

Mr Riikonen and his team actively deal on 12 bourses around the world. He has also introduced a number of instruments on Finland's money and capital markets, including the zero-coupon bond and bond with warrants.

Furthermore, Mr Riikonen and Mr Bjorn Wahlroos, his opposite number at UBF, initiated Optiomeklarit, the Finnish options exchange.

Skopbank is Finland's fastest growing banking group, but it still falls clearly behind the country's two main commercial banks, UBF and Kansallis-Osake-Pankki, which are both more than twice as large and have impressive industrial "families" and financial networks of their own.

The listing on the stock market may provide a attractive share for investors, but potential hostile bidders need not apply. The public offering consists of only FM150m in share capital, compared with a current total of FM1.15bn and that increase consists of the new series A shares, each of which carry one third of the votes of the K shares held by the savings banks.

None of the shares are available to foreigners, although the bank is "actively considering" a free share issue. Nevertheless, Skopbank aims to continue its aggressive role in Finland and abroad.

Mr Wegelius, who was last week elected to succeed Mr Matti Ali-Melkkila, Skopbank's chief executive, when he retires at the end of next year, will continue to exercise the skills he has acquired during his 31 years as an active show jumper.

Elf Aquitaine plans to cut workforce

By Paul Betts in Paris

ELF AQUITAINE, the French state-controlled oil group, is planning to cut 30 per cent of the workforce of Elf France, its domestic refining and distribution subsidiary, as part of a broad restructuring policy designed to bring its French refining business into financial balance.

Elf has also announced plans to cut its French refining capacity by 3m tonnes, from 24m tonnes to 21m tonnes. The refining capacity cuts will affect Elf France's refinery at Feyzin in the Lyon area.

The job reduction programme will involve a total of 1,400 people. However, the cuts over the next three years are not expected to involve any compulsory redundancies but mainly early retirements and job conversions.

Elf also said it intended to invest FFr2bn ($339m) over the next three years to improve the productivity of its domestic downstream operations.

The downstream operations continued to lose money during the first half of this year. However, the group managed to halve its losses in this sector, compared with the first half of last year, when downstream operations lost FFr1.7bn.

Elf's strategy to return its downstream sector to financial equilibrium has been to pursue internal rationalisation, while seeking external alliancea either with oil producing countries or other western oil groups.

Elf recently reported a 35 per cent increase in first-half group net profits to FFr3bn, from FFr2.2bn in the first six months of last year.

Commerzbank increases stake in Korean bank

By Our Financial Staff

COMMERZBANK, West Germany's third largest bank, said yesterday it had increased its stake in Korea International Merchant Bank (KIMB) from 20 per cent to 30 per cent and will open a representative office in Seoul.

Commerzbank said it acquired a 10-per cent stake in KIMB from Hongkong and Shanghai Banking for an undisclosed amount. The Hongkong-based bank now holds a 20 per cent interest, while the remaining 50 per cent stake is jointly owned by the Korean Exchange Bank and the Korean Development Bank.

KIMB, which was founded in 1979 by the four banks, is mostly active as an underwriter for won-denominated bonds and in leasing and has a balance sheet total of slightly less than DM2bn ($1.16bn).

The office in Korea should help the bank open further business opportunities in the country, Commerzbank said.

The increase in the Korean investment is another step in Commerzbank'a international expansion policy. Earlier this month, the bank acquired a 10 per cent holding in Unibanco, Brazil's third largest banking group, for DM130m.

Commerzbank also owns equity cross-holdings with several European banks, including Banco Hispano Americano of Spain, and is seeking additional cross-holdings in Western Europe.

Vontobel sets up consultancy

By John Wicks in Zürich

VONTOBEL HOLDING, parent company of Zurich-based Bank Vontobel, has set up a European management consultancy organisation called EC Consulting Group.

It starts work next year from bases in Zürich, London, Düsseldorf and Brussels, and is intended to offer a comprehensive range of services from strategic planning through risk management to temporary operational management.

In the individual countries, EC will work with experienced local consultants. It is foreseen that these will hold stakes in the national companies and EC itself.

INTERNATIONAL COMPANIES AND FINANCE

Novel issue for Bank of Scotland

By David Lascelles, Banking Editor, in London

BANK of Scotland, one of the British clearing banks, is to raise £100m ($182m) through a novel stock issue which is designed to meet the new rules set by this year's Basle agreement on bank capital.

The issue, the first of its kind in Britain, will be widely watched in the City of London since it could point the way to a new form of funding for banks, who are among the most capital-hungry institutions in the London stock market.

The Edinburgh-based bank announced yesterday that it is issuing £100m of preference stock. But unlike traditional forms of this stock, it need never be repaid, and dividends can be interrupted if the bank runs into trouble. Both these features make the stock similar to equity – the ultimate cushion against bank losses – and qualify it as top grade capital under the Basle rules.

The Bank of England confirmed yesterday that the issue will count as "tier 1" capital. Under the Basle rules, which are being applied internationally, banks must have tier 1 capital equivalent to at least 4 per cent of their assets, weighted according to their risk. Their total capital, including "tier 2", must be at least 8 per cent. Tier 2 includes forms of capital which have to be repaid, such as debt, and general provisions.

The Bank of Scotland issue is being priced at 102.5p per £1 of stock which gives it a yield of just over 12 per cent, according to stockbrokers Cazenove, who helped design the issue and are arranging the placement. The yield places the issue between debt and equity in the interest rate spectrum.

As a "sweetener", in the event that Bank of Scotland fails to pay a dividend on the stock, it will pay them in fresh stock equivalent to four-thirds of the dividend that was due.

Mr Hugh Young, company secretary at the Bank of Scotland, said yesterday that the issue was "a better way to raise capital than by going back to the shareholders." Although Bank of Scotland was comfortable with its present level of capital, it liked to be prudent, he said. However, he declined to give precise figures on his bank's capital ratios because the Basle rules will not take full effect in the UK until next July.

The proceeds will be used to fund growth, he said, though the bank had no particular acquisition in view at the moment.

The issue was greeted with interest at other UK banks. "All banks are aware of this and will be looking into it," said the finance director of a leading clearer. He said the issue would give pointers as to the potential size of the market for this specialised form of stock in the UK.

Similar issues of what is officially known as non-cumulative irredeemable preference stock have already been made in the US.

Lex, Page 24

Klöckner to change status

KLOCKNER und Co, the West German trading group, is to become an Aktiengesellschaft (public limited company) as part of a restructuring following heavy losses in its oil business announced in October, Reuter reports from Duisburg.

A shareholders meeting has also approved measures taken by Deutsche Bank last month to write down the company's capital and replace it with a DM400m ($230m) cash injection.

Deutsche Bank is now the sole owner of Klöckner but has said that its stake is not a long-term investment.

The statement also said two executives from Deutsche Bank have joined Klöckner's supervisory board.

A Deutsche Bank supervisory board member, Mr Ulrich Cartellieri and a director, Mr Hans Rosentalski, have replaced Mr Josef Ertl and Mr Jean Francois-Poncet as Klöckner supervisory board members.

Before it announced losses of between DM600m. to DM700m from oil forward contracts, Klöckner was owned over 90 per cent by a charitable trust, the Peter Klöckner-Stiftung. The balance of the shares was owned by a family trust, also named after Peter Klöckner who founded the firm in 1906.

ICI to invest £60m on plants to develop alternative to CFCs

By Peter Marsh in London

IMPERIAL Chemical Industries, Britain's biggest chemical company, is to spend £60m ($109m) on plants to make an alternative product to the industrial gases suspected of damaging the ozone layer.

The investment, announced yesterday, represeots a significant acceleration of ICI's plans to produce alternatives to chlorofluorocarbons (CFCs). These are gases widely used in refrigeration and air-conditioning systems, aerosols and plastics packaging.

ICI said the plans for the two plants – one of which is to be in Runcorn, Cheshire, and the other in an undecided part of the US – were likely to be a prelude to further spending by the company over the next decade on other new factories for CFC alternatives. Investment by ICI in snch plants over the period might total several hundred million pounds.

CFCs, total output of which is worth about £1bn a year, collect in the opper atmosphere, where scientists believe they eat into the ozone layer. Ozone is important to human health as it absorbs certain wavelengths of solar radiation that can cause skin cancer.

ICI is among the world's top four companies in production of CFCs, total output of which is to be halved by 1998 as a result of an international treaty agreed last year.

The company warned yesterday, however, that the alternative gas, called HFC-134a, to be made at the new plants would cost five times more than the CFCs in current use. The new gas is likely to be sold for about £5,000 a tonne.

A further drawback is that the new gas will not be capable of use in plastics packaging – an application where finding alternatives to current CFCs is significantly more difficult than in the other two main application areas for CFCs.

None the less, ICI believes that HFC-134a is likely eventually to be a useful alternative to one of the most widely used CFCs, called CFC-12. Total production of that is currently some 350,000 tonnes a year.

ICI thinks the main application for HFC-134a will be in refrigeration and air-conditioning systems. In aerosols, it is possible to use cheaper alternatives to CFCs that work almost as well.

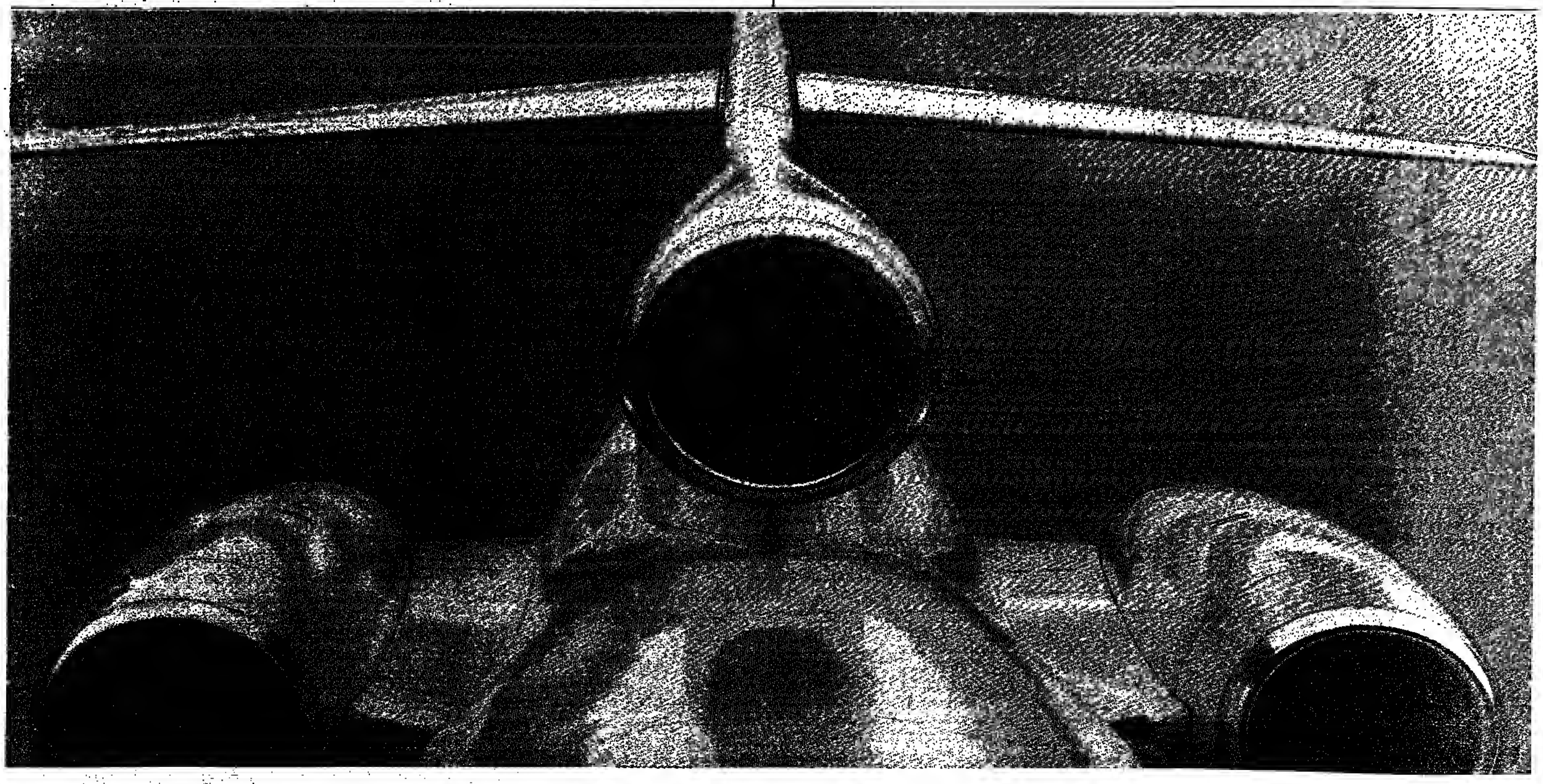
Mr Tony Foster, managing director of ICI's general chemicals division, said yesterday the extra costs of HFC-134a would not make a significant difference to the cost to the consumer of a new refrigerator or air-conditioning system.

Using this gas in place of CFC-12 is likely to involve manufacturers of refrigerators and air-cooling equipment in some new tooling costs, because of the need to redesign componeots such as plastic parts which react differeotly to the two kinds of gas. However, Mr Foster said he thought these extra costs would not be too onerous.

ICI's two new plants, which should start up in 1991 and 1992, will initially produce HFC-134a at the rate of a few thousand tonnes a year. Production might increase significantly during the 1990s, assuming demand from customers grows.

ICI believes that the two new plants, the first of which until a few months ago ICI had been planning to build in 1993, will put the company in a leading position in the corporate race to produce alternatives to CFCs.

Du Pont of the US, which is responsible for about a quarter of the world's CFC production, has already announced factories to produce alternatives. ICI makes about 10 per cent of the world's CFCs, roughly the same amount as Atochem of France and the US's Allied-Signal.



INTERNATIONAL CAPITAL MARKETS

Japan Highway straight appeals to investors

By Dominique Jackson

THE SECONDARY market in dollar-denominated bonds was hit yesterday by the latest US inflation figures and renewed pressure on the dollar. However, the long-anticipated issue for Japan Highway, which finally emerged yesterday, appeared to appeal to investors concerned about credit quality and event risk and met a good reception given the circumstances.

Bank of Tokyo Capital Markets won the mandate on the issue for Japan Highway, one which is considered fairly prestigious because it carries the guarantee of Japan. The initial spread of 46 basis points over comparable Treasury securities reflected the strength of this guarantee and the issne attracted interest from a broad range of investors immediately after its launch as the spread narrowed in to a margin of around 38 basis points.

However, the issue received a knock when the Treasury market fell on news that the US consumer price index rose 0.4 in October, at the top end of expectations. Despite this set back, demand for the deal remained steady and it finally ended the day bid at a discount of 1.65, still well within total fees and reportedly independent of support from the lead manager.

Two new Canadian dollar deals amerged as expected on the first day following the victory of Mr Brian Mulroney's Conservative party in the federal polls.

INTERNATIONAL BONDS

Goldman Sachs International brought a five-year C$150m deal for Montreal Trustco, which came at an initial yield margin of 68 basis points over comparable government issues. As the first Canadian dollar deal for some time, the issue attracted a strong co-management gronp of bouses with proven placement power in the sector. This was expected to ensure that the bondswere placed over time but yesterday, the deal finished bid at a discount of 2¼ compared with total fees of 1⅞.

● In Switzerland, UBS brought a 10-year SFr150m public issue for a French-based nnclear power company called NERSA which provoked some controversy yesterday. France's EdF, Italy's ENEL and West Germany's SBK utilities all hava a stake in NERSA, whose only asset is a nuclear power station in France, close to the Swiss border, by Geneva. The plant has been dogged by technical problems but reports have been circulating that it will shortly be fully reactivated. The question of the plant has become a politically sensitive issue in Switzerland and this was one of the reasons cited by Credit Suisse behind its decision not to go into the deal.

A Credit Suisse official said it considered that the bonds could be difficult to place because most of the paper the house places for French companies traditionally goes to the francophone area of the country around Geneva. The mandate was won via a competitive bidding process and the terms of the issue were considered on the tight side, with some dealers suggesting that a 5 per ceot coupon would have made the paper more attractive. It was bid around less 2⅞ on the grey market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Japan Highway◆	180	9⅝	101.6	1998	1⅞/1¼	Bank of Tokyo
Goldman Sachs (US)(b)‡◆	450	3/16	100.15	1990	15bp	Goldman Sachs Int.
Nissho Iwai Corp.‡	300	(4¾)	100	1992	2¼/1½	Nomura Int.
Norges Kommunalbk (a)◆	70	9⅛	100.825	1990	⅞/½	Yamaichi Int. (Eur)
CANADIAN DOLLARS						
Finance for Danish Ind.◆	75	10¾	101⅜	1991	1⅛/⅝	CCF
Montreal Trustco◆	150	10⅝	101½	1993	1⅞/1¼	Goldman Sachs Int.
D-MARKS						
Berliner Bk Luxembourg◆	75	5½	101	1994	1	Berliner Bank
ECUs						
EIB (c)◆	100	7¾	101⅝	1996	1⅞/1¼	Banque Paribas
SWISS FRANCS						
NERSA◆	150	4¾	100¼	1999	n/a	UBS
Econocom Int. NV(d)★★◆	40	3½	100	1993	n/a	Credit Suisse
Seiren Co.★★§(e)	60	(½)	100	1993	n/a	Bank Leu

★★Private placement. ‡With equity warrants. §Convertible. ◆Final terms. a) Coupon should have read 9⅛ and not 9¼ as in yesterday's table. b) 3/16 over 3m Libor. c) Fungible with Ecu issue launched in Oct. 1988. d) With going public warrants. If warrants not exercised or company does not go public it can be redeemed at 111% to yield 5.47%. e) Indicated put option 31/3/91 at 108 to yield 3.872%.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7¼ 92	200	93½	94⅛	-0⅛	-0¼	9.82
Amer. Brands 8⅞ 92	150	†94¼	95⅛	-0¼	-0¼	10.55
A/S Eksportfinans 7¼ 92	150	93⅝	94⅛	-0¼	-0½	9.56
Barc. Bk. Fin. 10¼ 89	200	†100⅝	100⅞	-0¼	-0⅛	9.57
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5¼ 92	55	102⅝	102⅞	0	0	4.62
Belgium 4⅝ 94	45	98⅛	99⅝	-0¼	+0⅛	4.83
Canada 4⅝ 92	80	99½	99¾	+0¼	+0¼	4.48
Elec. De France 5⅝ 94	20	101⅝	101⅞	+0⅛	+0¼	4.77
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available-previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn = The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Chicago to list futures based on Tokyo

By Deborah Hargreaves in Chicago

CHICAGO'S two major futures exchanges received a boost in their drive towards globalisation yesterday when federal regulators gave the go-ahead for them to trade futures based on two Japanese stock indices.

The Chicago Mercantile Exchange had been waiting over a year for approval to trade Nikkei 225 futures and the Board of Trade applied earlier this year to list futures based on the Tokyo Stock Price Index - Topix.

The exchanges have not yet set firm dates for the new products to be launched, but are expected to hold back until the middle of next year. The CME said yesterday it is considering first listing the Nikkei 225 futures on its Globex 24-hour screen trading system that is due to start up next summer.

The Commodity Futures Trading Commission, the industry's regulator, had held back on approving the new indices while it set up a mechanism for settling the two in yen. The two new futures contracts are the first US futures products to be traded and settled in a foreign currency.

The CFTC's statute had hitherto called for the segregation of US futures firms' margin funds in dollars to be held in US bank accounts. However, the regulator has issued a waiver for the new indices, allowing firms to hold funds offshore in Yen, Sterling or dollars.

In the push among US exchanges towards a more global market, this could pave the way for other products to be settled in foreign currencies. As part of an agreement with the Tokyo Stock Exchange, the CBOT has also received approval to trade a Japanese bond futures contract which is also denominated in yen.

The two Japanese stock index futures started trading this summer in Japan. Their Chicago counterparts are primarily aimed at the institutional market, but traders do not expect them to take off straight away. "It is such a new concept, I expect volume to be slow at first and build up as everyone gets used to it," a CBOT trader commented yesterday.

Japan's four major securities houses have all been active in the Chicago markets with three of them running clearing operations on both the CME and CBOT. They have all expressed an interest in trading the new products.

However, Chicago's stock index futures market is still recovering from the hit it took in last year's stock market crash. Volume has been down by a third to one half from last year.

Nevertheless, the CBOT and Chicago Board Options Exchange had high hopes for the launch of the first stock index futures contract since the crash - the CBOE 250 - which started up 10 days ago. The contract, which is part of a joint venture between the two exchanges has got off to a fairly slow start.

● The director of the Commodity Futures Trading Commission's division of economic analysis, Ms Paula Tosini, has told the agency she intends to resign, CFTC officials said.

Ms Tosini plans to take a post at the Futures Industry Association, the trade association representing futures brokers and exchanges, the officials said.

Brokerage firm for Botswana

ESTABLISHMENT of the first Botswana stock brokerage firm, Stockbrokers Botswana, has been annnunced by the Botswana Development Corporation (BDC), AP-DJ reports from Garorone.

Mr Mark Hopkins, a BDC official, said the firm would be registered soon and would start operating early next year.

Backed by the BDC, it would initially handle bonds and promissory notes bnt would later embrace equity financing, as about 15 companies in Botswana were expected to issue shares in the near future.

INTERNATIONAL CAPITAL MARKETS

SEC to combine carrot with stick

A.H. Hermann on moves for co-operation to curb securities fraud

Attempts by the US to curb violations of its securities laws are about to receive a boost. Whereas in the past the authorities have had to rely on a strategy of bullying to achieve foreign co-operation, a new law, shortly to be signed by President Reagan, will enable the Securities & Exchange Commission to offer a carrot to foreign authorities whose help it needs to enforce securities laws and to investigate their infringement.

The Insider Trading and Securities Fraud Enforcement Act, passed by Congress last month, enables the SEC to provide far-reaching assistance to foreign securities authorities which believe that information about suspected violation of their securities laws can be found in the US.

Section 6 of the act authorises the SEC to provide such help even when it is only feared that someone is "about to violate any rules or laws relating to securities matters." There is no need that the suspected or anticipated infringements also transgress US laws and the SEC could use its full formal procedure, including the subpoena of witnesses.

The purpose of the exercise is revealed in the provision of the act requiring the SEC, when deciding to provide such assistance to foreign authorities, to take into account whether there is any reciprocity on their part.

This condition is not formulated strictly, and it is left open to the SEC to provide assistance to countries even when these have not enacted laws authorising a reciprocal assistance. It is clear, however that the SEC will use this discretion only in favour of countries it expects to enact such laws and if it believes that its co-operative attitude would help their passage in foreign legislature.

The SEC has used the passage of the new act as an opportunity to mount a public relations campaign and to encourage its opposite numbers in other countries to press for legislation leading to greater international co-operation in curbing international securities fraud.

To spread the gospel it sent to London Mr Joseph A. Grundfest, a commissioner who is a most eloqnent speaker. In a lecture delivered at Kings College, London, earlier this month, Mr Grundfest explained the SEC's new philosophy of co-operation and why the world can no longer do without it.

He painted in dark colours the difficulties of enforcing national laws in what has become a single international securities market. The free world had benefited from the improved capital flows, he said, but so had the thieves. They could move from one market place to another, or reach them from a hiding place by telephone, leaving no footprints, only ghosts of electrons.

Mr Grundfest repeated the old US complaint that fraudsters and other violators of security laws can take advantage of bank secrecy and other privacy laws which were adopted for perfectly legitimate reasons at a time when international securities fraud was not anticipated.

Under its current policy the SEC is abandoning its 1984 international enforcement strategy based on the notion of "waiver by conduct." Under this theory, the SEC insisted that purchase or sale of securities on a US market can be deemed to imply consent of the foreign dealer to disclosure of relevant information in US administrative or judicial proceedings regardless of any foreign secrecy laws.

Joseph Grundfest: spreading the gospel in London

However, the attempt to extend US securities law extraterritorially to foreign nationals conducting transactions through foreign institutions brought protests worldwide.

British authorities took the view that the doctrine of "waiver hy condnct" was bound to meet with practical difficulties. If a determined dealer created a complex chain of foreign intermediaries, the investigation would ultimately hit a "blank wall."

In the end, it seems, the SEC recognised that the doctrine is futile when it comes up against foreign blocking laws which cannot be waived by individuals, and that determined attempts at extraterritorial investigations only provoke the adoption of blocking laws in more foreign jurisdictions. As a result the "waiver by conduct" doctrine can now be considered dead and buried.

The new policy, aiming at fully co-operative relationships with foreign anthorities, has been preceded by attempts to arrive at some understanding with foreign countries dating from 1977 when the US concluded a mntual assistance treaty with Switzerland.

This agreement, however, could be used only when investigating and prosecnting infringements which were acriminal offence also under Swiss law. Similar treaties were concluded or negotiated with other countries and in addition, the SEC concluded memoranda of understanding with Switzerland, Japan, two provinces of Canada, Brazil and the UK.

The memorandum of understanding signed with the Department of Trade and Industry on September 23, 1986, was the first working arrangement between the security authorities of the US and the UK.

The degree and intensity of co-operation which the SEC would like to reach with the UK and other countries is evident from its memoranda of understanding concluded with the Canadian provinces of Ontario and Quebec, and with Brazil.

Unlike previous agreements which required voluntary co-operation of witnesses or made assistance dependent on the initiation of litigation, the Canadian and Brazilian pacts provide that the co-operating authorities will use subpoena of witnesses on behalf of each other. The Quebec and Brazilian agreements authorise assistance even when there is no domestic violation of security laws. The new act enables the SEC to live up to the undertakings given to Quebec and Brazil. It would now like to expand such co-operation worldwide.

Novel borrowing programme for Fiat subsidiary

By Norma Cohen

THE GROWING paperless securities market in Switzerland added a new dimension yesterday with the launch of a borrowing programme for a subsidiary of Fiat Spa that looks like commercial paper bnt is not.

IHF-Internazionale Holdings – the holding company for all Fiat's non-Italian operations – has signed an agreement to borrow SFr110m directly from a tender panel of 12 Swiss banks.

The banks will submit bids to Wirtschaft-und Privatbank, which will act as agent. Borrowings will be for up to 12 months each.

Bnt nnlike commercial paper, no actual securities will be issued, exempting the borrower from the stamp dnty that has been under increasing attack from Swiss bankers.

However, the there will be no secondary market in the securities, making them still somewhat less attractive than the commercial paper they mimic.

The programme is similar to a borrowing programme established for Unilever, the Anglo-Dutch foods and detergent concern and for the World Bank.

Under that programme, known by the acronym COPS, borrowings are in book entry form and the arranger, Swiss Bank Corporation, has agreed to provide some liquidity. Under the COPS programme, institutional investors as well as banks will be lenders.

The programme is particularly attractive to bank lenders because they are not required to commit any funds to the borrowing programme – only to bid when they have funds to lend. That way, there is no contingent liability incurred for which reserves must be set aside.

Also, Fiat, as a top-rated corporate borrower, is in a category making it eligihle for Swiss banking liquidity requirements – a category formerly reserved only for bank borrowers.

Inflation threat puts pressure on Treasuries

By Janet Bush in New York and Norma Cohen in London

US TREASURY bonds came under pressure for a variety of reasons yesterday, all of which were related to the threat of higher inflation.

By midsession, prices were quoted around ½ point lower at the long end of the yield curve and around ¼ point down at the short end. The Treasury's new 9 per cent benchmark 30-year issue was quoted ⅝ point lower to yield 9.14 per cent.

There were three main bearish factors. The first was continued vulnerability in the dollar despite more intervention from the Bank of Japan in Tokyo and the US Federal Reserve in New York.

Despite the intervention, the dollar was still quoted near to its day's lows at midsession at Y121.40 and at DM1.7205.

The second negative influence was the publication of October consumer prices figures which rose 0.4 per cent, somewhat more than analysts had been expecting. Last month's gain gave an annual inflation rate of 5.1 per cent, the highest since 1981 according to the Labor Department.

The third factor which undermined prices yesterday was a jump in crude oil prices amid reports that the Organisation of Petroleum Exporting Countries could be near to reaching an accord on production levels which could stabilise prices. Crude oil for January delivery was quoted at $13.89 a barrel, up 91 cents from Monday on the New York Mercantile Exchange.

Weak oil prices have been a crucial factor providing some support for bonds this autumn amid evidence of inflationary pressures elsewhere in the economy.

Amid concern about the budget deficit, President-elect George Bush's reiteration of his pledge not to raise taxes

GOVERNMENT BONDS

did not impress the market unduly.

The bond market yesterday faced absorbing the auction of two-year notes and today must bid for a new five-year issue.

Fed Funds traded on the high side yesterday, quoted at 8¾ per cent at midsession, after the Fed did $1.5bn in customer repurchase agreements. There is still no evidence of any tightening.

THE UK Government's conventional bonds closed as much as ¾ point lower as dealers and investors grew increasingly gloomy about key October trade data to be released on Friday. While September's current account showed a £560m deficit, market estimates for October's shortfall are over £1.0bn.

The weakness of the US bond market has spilled over into the gilts market as well, prompting light retail selling.

Meanwhile, speculation about a rise in UK base rates has been pushed to the sidelines although analysts, pointing to the firming in UK money market rates last week, say a further rise in base rates after the new year cannot be ruled out. Money market rates out to one year yesterday closed at 12¼ per cent, a level still consistent with current base rates.

Index-linked stocks closed ⅛ lower, with dealers reporting several retail accounts switching out of that sector and into UK equities. The Bank of England was seen to be a buyer of index-linked stock again today, after having purchased a large block from a retail investor late last week.

JAPANESE government bond prices closed firmer, although below the day's peak scored in early London trading. The current benchmark 105 JGBs peaked at 4.53 per cent, a level reached as the dollar slipped below 122 yen and the Bank of Japan was forced to intervene.

Also, bond prices eased as news from the ongoing Opec conference filtered into the market suggesting that an agreement on limiting production is imminent. Some fear that firmer oil prices will translate into higher inflation in Japan which depends exclusively on imported oil, most of it from Opec members.

But news of a 0.4 per cent rise in October's US consumer price index revived concerns about a possible increase in the discount rate, sending bond prices from the day's peak.

Canadian government bonds closed about ⅝ points lower as speculators unloaded positions adopted in anticipation of a Conservative victory in the national elections on Monday.

As the euphoria over the election and over the future of the free-trade agreement with the US subsides, investors must now focus on Canada's burgeoning budget deficit.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/02	109-15	-6/32	10.42	10.37	10.00
		8.750	9/97	95-14	-7/32	9.86	9.84	9.59
		9.000	10/08	89-04	-6/32	9.09	9.10	8.99
US TREASURY		9.250	8/98	100-24	-12/32	9.13	8.97	8.83
		9.125	5/18	99-10	-16/32	9.19	9.04	8.92
JAPAN	No 105	5.000	12/97	102.8825	+0.107	4.55	4.57	4.67
	No 2	5.700	3/07	108.3535	+0.209	4.84	4.80	4.90
GERMANY		6.750	8/98	102.6750	-0.025	6.40	6.37	6.39
FRANCE	BTAN	8.000	10/93	97.7448	-0.036	8.57	8.58	8.57
	OAT	9.800	5/98	104.3000	-0.076	8.79	8.85	8.86
CANADA		10.250	12/98	101.1250	-0.125	10.07	10.11	9.81
NETHERLANDS		8.7500	10/98	102.6000	-0.100	8.46	8.46	8.29
AUSTRALIA		12.500	1/98	101.5265	-0.385	12.20	11.82	11.81

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Malaysia offers country fund incentives

MALAYSIA will offer tax incentives on country funds in an effort to develop the local capital market, said Tan Sri Zain Azraai, Finance Ministry secretary-general, Reuter reports from Kuala Lumpur.

He told an economic seminar that proposals by Mr Daim Zainuddin, the Finance Minister, last month to make the tax structure more favourable to unit and property trusts and ventnre capital companies will also apply to country funds.

Malaysia launched Malaysia Fund Inc, its first and only country fund so far, in May 1987 to raise US$87m. It is now listed on the New York Stock Exchange.

Tan Sri Zain said new country funds should be targeted at long-term investors and directed at a variety of Malaysian industries to obtain "a halanced mix of the overall growth prospects of these industries."

He added: "The funds should preferably be principally managed by Malaysian companies and incorporated in Malaysia so as to give a boost to the development of Malaysian fund management."

Tan Sri Zain gave no further details.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section — Tuesday November 22 1988 — Index No. — Day's Change % — Est. Earnings Yield% (Max.) — Gross Div. Yield% (Act at (25%)) — Est. P/E Ratio (Net) — xd adj. 1988 to date — Mon Nov 21 Index No. — Fri Nov 18 Index No. — Thu Nov 17 Index No. — Year ago (approx) Index No.

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	11	87	13
Corporations, Dominion and Foreign Bonds	1	17	33
Industrials	376	329	868
Financial and Properties	148	107	412
Oils	24	22	57
Plantations	0	0	13
Mines	19	60	109
Others	55	89	100
Totals	634	711	1,607

FIXED INTEREST

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Nov 21
- Last Dealings Dec 2
- Last Declarations Feb 23
- For settlement Mar 8

For rate indications see end of London Share Service

Calls in Tranwood, Eurotunnel Wrts, Charter Cons, Davy Corp, Wembley, MB Grp, Storehouse, Eng China Clay, Pentland, Nurdin & Peacock, Nat Westmn, Trusthse Forte, Bailey Ben, PE Intl, Woolworths. Pts Charter Cons, Lon Securities. Puts/Calls Kalon.

LONDON TRADED OPTIONS

[illegible]

RHM stirs debate over brands valuation

Richard Waters on the food and drink company's change in accounting practice

IF GRAND Metropolitan opened a can of worms earlier this year with its decision to include brands acquired in takeovers in its balance sheet, Ranks Hovis McDougall yesterday gave it a good stir by announcing its decision to value all its brands, both acquired and existing.

A major company has been expected to tackle this accounting challenge for some months, and RHM's decision to be the first will almost certainly lead to similar announcements – provided the market can stomach what it has done. At least one other company in the food and drinks business is known to have carried out a similar valuation of its brands, but is holding back to see the reception given to RHM before coming forward.

The caution is understandable. The accountancy profession is divided about whether and how brands should be valued and has been able to give little guidance – although, unusually, individual audit firms such as Peat Marwick McLintock (auditor to Grand-Met) and Coopers & Lybrand have nailed their colours to the mast by publicly supporting brand valuations.

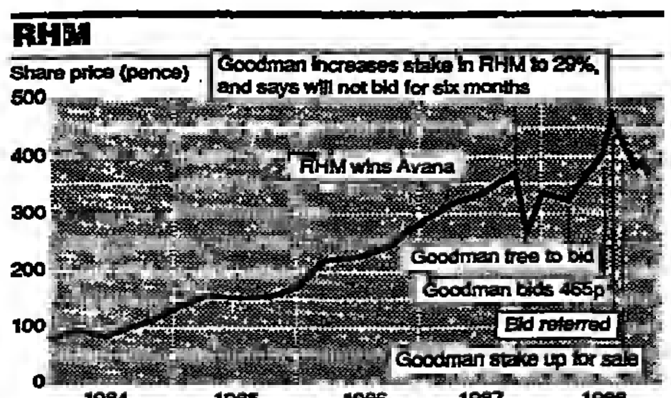
There are said to be two motivations for companies to put a value on their intangible assets, like brands, as well as tangible ones, like factories.

The first is that their balance sheets do oot show a true picture of their financial position: RHM yesterday complained that last year its balance sheet showed it with a value of £250m, while the market valued it at times at more than £1.5bn. Gaps of this size, it is said in some quarters, make it easier for acquisitive companies to pick up undervalued assets on the cheap.

This is a difficult position to sustain. RHM may be valuing its brands, and planning to revalue them every three years: but it has not valued its property for ten years, even thocgh property revaluations are a common accounting technique. Its 1987 accounts show *property worth £130m,* but give no indication of this property's real value. What point is there in giving current values for brands when other assets are not shown on the same basis?

RHM says it has no intention of returning to current cost accounting, a method of *accounting for the effects of* changing prices advocated by the accountancy profession but which has fallen into disuse.

A second reason why valuing brands does not bring balance sheet values into line with "real valnes" is that the valnes RHM has pnt on *its* brands are not themselves market values.



It said yesterday that its valuations were conservative, and the brands were valued at current cost rather than market value. According to Mr Bob Rogerson, finance director, the market value is considerably greater than this.

RHM's professed reason for not giving market values was that the Companies Act does not allow this, *but* requires a current cost valuation. However, the act only says that companies "may" use current values, not that they "must." Also, as one senior anditor points ont, current cost is closely related to market value, being the replacement cost or resale price of an asset. The two should therefore not differ mnch.

This suggests that RHM may have had other reasons for not providing a market value. For instance, if it had put a value of say £1bn on its brands, how could it have resisted a takeover offer for those brands of more than this amount? Companies may find it wise to keep something in reserve, rather than showing all their cards at once.

The second, and more fundamental, reason for valuing intangible assets is the difficulty acquisitive companies have with writing off the goodwill arising from takeovers. UK companies enjoy an advantage over their US counterparts in being able to write-off all this goodwill immediately against reserves: US companies must write it off over a number of years against profits, depressing their reported earnings. However, companies like RHM find it difficult to swallow large bites of goodwill at once, having insufficient reserves. It therefore makes sense to call some of it "brands," reducing the amount of the write-off. RHM was coy yesterday about giving details of its acquisition plans, but it seems likely that it will be on the acquisition trail fairly shortly.

RHM's biggest contribution to this debate has been to try to put a value on its existing brands. Unlike recently-acquired brands, their value is not easy to ascertain.

With the help of Interbrand, a consultancy specialising in the field, RHM has developed a valuation method which is likely to be taken up by other companies. This involves taking the average earnings from a brand over the past three years and multiplying it by a factor which reflects the product's position in its market and the amount of advertising support. A product in the fashion industry, for instance, would score a low rating because of the low staying-power of such products, whereas an RHM brand such as Hovis would receive a far higher rating.

This method, says RHM, is based on current values and bears no relation to expected future earnings from the brand. However, all of the factors that go into its calculation, other than the historic earnings, are indicators of future profits, suggesting that what it calls a current cost valuation is not very far from an actual market valuation. According to Interbrand, the main difference is that a market value would attempt to reflect the extra value to an acquirer of, say, market share or distribution advantages that it gained over and above the actual earnings stream provided by the brand.

Projecting the future earnings of a brand and discounting this back to present values, the most accurate way of putting a value on a brand, had been rejected as being too subjective, said interbrand.

Profits show 35% advance to top £156m

By Nikki Tait

RANKS HOVIS McDongall's move on brand accounting accompanied the pnblication yesterday of full-year figures for the group, showing a 35 per cent increase in pre-tax profits to £156.6m.

The figures cover the year to September 3, and compare with the £116.1m achieved in the 53-week period last time. During 1987-88, RHM had the benefit of the first full 12-month contribution from Avana, the Welsh food group which was acquired after a £281m bid battle in April 1987.

At the earnings per share level, the increase is slightly smaller - up 27 per cent to 30.6p a share - following a reduction in the tax charge from 33 per cent to just under 31 per cent.

RHM is also taking a £23.5m extraordinary charge below the line. Included in this item, are redundancy and closure costs of £20.9m (£19.6m) and £10m of costs before tax for the defence against Goodman Fielder Wattie's £1.7bn bid earlier this year. Its 465p-a-share offer was referred to the Monopolies Commission in August; it has since decided not to pursue the reference and has put its 29.9 per cent holding in RHM up for sale.

RHM's figures were marginally ahead of the £156m forecast in the course of the GFW bid. They were made on sales of £1.67bn (£1.54bn), and were after an interest charge of £18.6m (£14.4m) - somewhat lower than some analysts had expected. Net debt at the year-end stood at £119.7m (£140.5m).

With the exception of the US companies, all divisions saw increased profit contributions in sterling terms. The largest single division within RHM is milling and bread-baking, where pre-tax profits rose from £45m to £58.7m, on sales of £621.9m (£614.4m). RHM said that around 40 per cent of sliced wrapped bread sales are now in premium product lines, and pointed out that the increase came despite a poor harvest.

On the cake and confectionary side, the pre-tax figure is £26.9m (£17.3m), on sales of £196.5m (£152.1m); grocery products were up from £22.3m to £32.5m with turnover of £294.7m (£218.6m); and food services contributed £26.1m (£16.4m) on sales of £281.1m (£274.5m).

Overseas, the US showed a fall in sterling terms from £9.8m to £8.3m on sales of £165.5m (£184.1m), but the Pacific Region companies showed a strong advance, adding £10m (£13.9m) before tax.

Yesterday, RHM said that trading profit for the first two months of the current year was ahead, and added that it was "confident of another good year". The final dividend goes up by 27 per cent to 7.43p a share, making a total of 10.81p for the year.

Association condemns defensive water deal

By Fiona Thompson

THE WATER Companies Association, which represents 28 statutory water companies in England and Wales, has condemned a co-operation deal between Southern Water Authority and the Associated Insurance Pension Fund which could act to thwart bids for those water companies in which Southern and AIPF hold stakes.

Southern is one of the 10 water authorities due to be privatised under the Water Bill and AIPF is an investment vehicle for Australian businessman Mr Duncan Saville.

Both Southern and AIPF hold substantial stakes in a number of water companies and, under their agreement announced on Monday, they will hold their share stakes jointly. This means that in the case of three water companies – Eastbourne, Mid-Sussex and West Kent – their aggregate stakes will exceed 30 per cent.

The aim of the deal, they said, was that statutory water companies should remain independent "public listed companies with a wide range of investors, including customers and employees."

Mr Michael Swallow, director of the Water Companies Association (WCA), said yesterday this was a further example of Southern acting in contravention of the 1973 Water Act which states that water "undertakers," that is authorities and companies, were to be separate.

"We believe water authorities are acting outside their powers in buying stock in the water companies," he said.

Southern is the only authority which holds shares in water companies, although Northumbrian Water Authority until three weeks ago held small stakes in two companies. Northumbrian sold its holdings because a judicial review, sought by the National and Local Government Officers Association, was set to consider the validity of its holdings. This review was dropped after Northumbrian sold its stakes, however, the WCA said yesterday it had been granted leave for a judicial review into Southern's holdings.

Mr Swallow was somewhat sceptical of Southern/AIPF's claim to want a wide range of investors in the water companies, in the light of "44.9 per cent of West Kent Water Company being in just two hands, Southern and AIPF."

Southern announced on Monday that its holding in Eastbourne Water Company had risen from 24.8 per cent to 29.8 per cent. But it had held *the extra 4.9 per cent all along* under a nominee company, said Mr Geoffrey Hoskins, managing director of Eastbourne. "This does not make us too confident about Southern/AIPF's expressions of support for our independence."

Southern's two other current shareholdings are 14.9 per cent of West Kent and 14.8 per cent of Mid-Sussex.

AIPF holds 5.3 per cent of Eastbourne, 17.4 per cent of Mid-Sussex, 29.9 per cent of West Kent, 9.7 per cent of Folkestone and 2.0 per cent of Mid Kent.

Goal Petrol in £19.2m cash call

By David Waller

Goal Petroleum, oil and gas prodnction and exploration company, is raising £19.2m by a fully-underwritten one-for-five rights issue.

The proceeds will provide the bulk of the finance for the $48m purchase of a 2⅞ per cent working interest in the Magnus oilfield from British Petroleum.

The shares will be offered at 90p, 6p below yesterday's opening price. The shares closed 1½p down at 94½p.

When details of the sale were announced earlier this week, it emerged that Goal was paying a higher price per barrel for its stake than the *other,* larger companies involved in the auction.

Some estimates put the price at £2.50 a barrel against an average of £2.35.

Powell Duffryn at £13.5m despite fuel distribution setback

By Clare Pearson

A WEAK *showing* in fuel distribution was outweighed by strong contributions from other divisions to produce midway pre-tax profits up 17 per cent to £13.52m at industrial group Powell Duffryn. Turnover rose from £312.94m to £319.47m.

In the six months to *September* 30, property disposals accounted for £559,000 of profits; unlike last year, this factor *is not expected* to be substantial in the second half. There was an £893,000 extraordinary charge, expected to be recouped within two years, for the September re-registration of the shipping fleet in the Isle of Man.

The second half figures will include a £750,000 *exceptional* trading profit from the sale of 1.6m shares, the rump of a larger stake, in Carless to Kelt Energy, which is bidding for the oil independent.

Plentiful supplies of oil, and enhanced competition, led trading profits of fuel distribution to fall to £2.51m (£3.35m). The UK suffered a six per cent setback, but the main problems occurred in France where the *operations moved from profit* into a £350,000 loss. Mr Bill Andrews, chief executive, said: "Clearly we shall have to review our position in France."

Helped by firmer freight rates, shipping put in £2.75m (£1.85m). With encouraging contributions from two recently established US anti-freeze packaging plants, bulk liquid storage lifted its contribution by 57 per cent to £2.56m. *Engineering rose to £6m* (£4.84m).

Construction materials put in £2.12m (£1.74m). Within this, a low level of road works in South Wales held back aggregates, but strengthening demand for new ranges of concrete bricks fed by increased production pushed profits in that sector ahead by 22 per cent.

Mr David Hubbard, chairman, said Powell Duffryn intended to put in a bid for Carless's downstream interests if Kelt's *offer* for the company succeeds: Kelt has said it intends to put them up for sale.

Earnings per share rose to 14p (12.1p). The interim dividend is lifted to 6p (5.25p).

● COMMENT

Powell Duffryn is expected to achieve pre-tax profits of around £37.5m in the full-year, assuming reasonably cold weather to help demand for winter fuel but an insignificant contribution from property disposals, which provided £3.47m in the last full year. The shares experienced a 7 per cent rise at the end of last week, but apparently this merely reflected professional short-covering. They seem *now* a touch expensive on a prospective p/e of about 10.5, a premium to the market. They are, of course, partially protected by the company's dedication to providing high income, but a yield this year of 6.5 per cent does not dazzle. The four per cent stake held by one of Sir Ron Brierley's vehicles helps them too, bnt the management seems to be doing too professional a job for *anyone to take the company* over in a hurry.

Shaftesbury profits leap

By Vanessa Houlder

SHAFTESBURY, the property investment and development company, yesterday announced a surge in pre-tax profits from £217,000 to £5.87m for the year to September 30.

Mr Peter Levy, chairman, said that the company was optimistic but a little cautious about the market in the present year.

The company did not plan any significant disposals, he said.

Revennes increased to £8m (£1.6m). This included an exceptional realised surplus of £3.1m (£82,000 deficit) resulting from property sales by its associated companies Racefacit and Sabrebuff.

Net assets at the year end totalled £32.0m or £2.18 per share, compared with net assets of £13.1m or £1.32 a year ago.

The valne *of the development* portfolio's fixed assets which totalled £9.65m and its current assets are believed to have a market value significantly in excess of cost, said Mr Levy.

Earnings per share rose from 1.1p to 25.9p.

A dividend of 1p has been recommended in view of the group's declared policy to retain funds and develop its property portfolio.

Buoyant Radio City tops £1m

By Fiona Thompson

Radio City (Sound of Merseyside), independent radio station, yesterday reported profits almost trebled for the year to September 30 1988.

Pre-tax profits rose from £356,000 to £1.02m, and earnings per share jumped from 7.88p to 25.15p. After an interval of several years, directors recommended a dividend of 6p.

Turnover increased to £3.84m (£2.87m). The increased sales *reflected national* advertisers' growing awareness of commercial radio as a highly cost effective medium, Radio City said. The expansion of the Merseyside economy also helped.

During the year the company acquired 4.85 per cent of Independent Radio News for £72,787; almost 12 per cent of Satellite Media Services for £45,000; and an additional 14.4 per cent of Broadcast Marketing Services for £187,000, *increasing its stake* to 25.1 per cent.

UK COMPANY NEWS

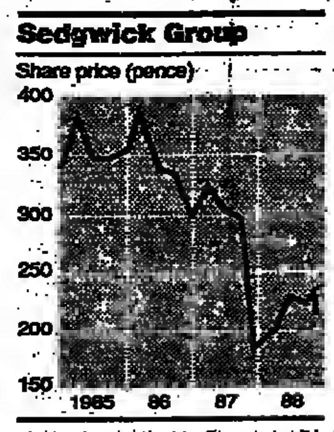
Sedgwick £71m near top forecasts

By Nick Bunker

Sedgwick Group, Europe's largest insurance broker, yesterday reported pre-tax profits for the first nine months of 1988 of £70.8m, close to the top of the range of City analysts' forecasts.

With insurance brokers still struggling however against falling premium rates and a weak US dollar, the pre-tax figure was 24 per cent down on the £93.2m reported for the same period last year. The shares gained 3p to 215p.

Sedgwick's profits have been in decline since the second quarter of 1987, when the commission income of big brokers started to be hit by a cyclical price-war among US property/casualty insurers.



The problems have been compounded by rate-cutting by marine and aviation insurers and by the reinsurance markets in the US, London and continental Europe. Mr Carel Mosselmans, Sedgwick chairman, said yesterday it was "a considerable achievement" that the group had contained expenses to their 1987 level. Gross revenues were down 10 per cent at £459m (£508m), while earnings per share fell 24 per cent to 11p (14.4p).

Sedgwick added to the interest of the results by confirming that Mr Mosselmans' successor as chairman will be 55-year-old Mr David Rowland, group chief executive.

Mr Rowland will take over in April. He made his reputation as chairman of Stewart Wrightson, the medium-sized Lloyd's broker, but joined Sedgwick this year, after leaving Willis Faber, its chief London-based rival.

● **COMMENT**

The real interest yesterday lay certainly not in the bottom-line figures. Sedgwick's earnings trend has been plain as a pikestaff for the past 12 months, and although the London marine reinsurance market is hardening in the wake of the Piper Alpha disaster, any wind-fall from that source is more than fully reflected in the share price. Assume full-year pre-tax profits of about £75m, and Sedgwick is on a prospective price/earnings multiple of 18. The rating is demanding enough to make the shares no more than a weak hold, given that few expert observers expect any cyclical upturn in the US insurance market until at least 1990. The good news yesterday came in hints from the group that Mr Rowland, apparently with full backing from Sedgwick's 39 per cent shareholder Transamerica, is starting to make progress in drawing its historically autonomous operating subsidiaries, Sedgwick Ltd, E.W. Payne and Fred S. James, into closer co-operation. In the short term, that should help maintain its expenses controls: in the long-term, it could help ensure Sedgwick's place among the world's big three brokers.

Ennex sees potential for Scottish bullion mine

By Kenneth Gooding, Mining Correspondent

POTENTIAL FOR a gold and silver mine in Scotland is improving, according to Ennex International, Dublin-based exploration company.

It said that ore reserves at its Cononish property in the Western Highlands have been increased by more than 75 per cent to 925,000 tons in the financial quarter to September 30.

The company, which since 1984 has been quoted on the London and Dublin Unlisted Securities Markets, has received planning permission for an 850 metre exploration adit (opening) and development has started in order to confirm the continuity of mineralisation and ore reserves.

Ennex said reserves on its 93 sq mile licence area at Cononish were now estimated to contain 259,000 troy ounces of gold and at least 925,000 troy ounces of silver.

The company reported a $460,000 (£251,986) loss for the nine months ($226,000 profit) and said the strengthening US dollar caused currency losses of $275,000 against gains of $318,000 in 1987.

Aurora says ANI offer fails to recognise its future prospects

By Ray Bashford

AURORA, Sheffield-based engineering company, said yesterday that the takeover offer from Australian National Industries, that country's biggest engineering group, failed to recognise its present and future prospects.

In a mildly-worded defence document, Sir John Hill, Aurora's chairman, forecast that pre-tax profits would increase by 40 per cent to £16.1m in the year to December 31.

He urged shareholders to *"not allow ANI to buy Aurora's success on the cheap."*

ANI has offered 148.8p a share with a loan note alternative which on the cash basis values Aurora at £138.1m.

The Australian company holds 41 per cent of the capital having built up a 22 per cent stake since December last year before buying the 19 per cent held by Electra, the investment institution, earlier this month.

Mr Neil Jones, the ANI managing director, said that the details in the defence document were "fairly consistent with what we have seen in the past."

Under takeover rules ANI is barred from purchasing more shares until December 5, however, the company has been keeping up the pressure through discussions with unions and members of the business community in Sheffield.

In its defence document Aurora also said that total dividends for the year will not be less than 4p, an increase of 45 per cent, and that shareholders' funds at the balance date will be not less than £54.6m – 55 per cent up on the year.

The board also raises severe doubts about acceptance of the loan note alternative. ANI inserted this alternative into its official offer document after the Aurora board said that acceptance of the cash bid could create tax problems for certain investors.

Aurora maintains that the tax problem will remain if the offer is accepted.

BHH makes housing disposals

BHH Group, construction and property investment company, is selling its WSJ (Holdings) and Welland Homes housing subsidiaries to a new company formed by WSJ's managers and a consortium of institutional investors.

BHH will receive approximately £14m cash from the disposals, and the purchasers will take on board net borrowings of £6.9m. Further disposals of housebuilding interests should follow and in total, net proceeds from the sale of the housebuilding division should amount to more than £25m.

The company announced that this part of its business was for sale last summer, stating that shareholders would benefit from a redeployment of capital from housebuilding to the core activities of commercial property investment and development.

To this end, the company this week acquired a £8.7m commercial and industrial trading property portfolio.

Its shares added 3p to close at 105p. Last month, the company reported a surge from £782,000 to £2.72m in pre-tax profits for the first half of 1988, reflecting booming conditions in the West Midlands property market.

Betacom dials £25m tag as CSI sells 70% stake

By Philip Coggan

BETACOM, telecommunications company, yesterday announced details of its offer-for-sale which will value the group at £25.4m.

Cannon Street Investments is selling off a 70 per cent stake in Betacom as part of its long term strategy of floating its subsidiaries on the stock market.

Around 5 per cent of the equity is being set aside under an employee share ownership plan (ESOP). The remaining 65 per cent of the equity (20.17m shares) is being offered for sale, with existing CSI shareholders being entitled to apply for up to 13.17m shares on a pro rata basis.

Betacom designs and markets telecommunications products which are manufactured in the Far East. It sells one and two piece telephones, cordless phones, clock telephones, answering machines and novelty phones such as one in the shape of a piano, which requires the user to hit the keys to dial the number.

The company is not involved in the supply of cellular phones, such as are used on the Vodafone and Cellnet networks. However, Mr Dennis Baylin, chairman and chief executive, said that the group would examine the market for so-called Telepoint phones when the infrastructure was created.

CSI acquired Betacaom in early 1987 and pre-tax profits jumped from £619,000 in 1986 to £2.33m in the 13 months to December 31 1987. For the current year, Betacom is forecasting pre-tax profits of not less than £2.5m on turnover of £17.5m.

At the offer price of 82p, the shares are being offered on a prospective p/e of 11 and the notional gross dividend yield is 4.2 per cent.

Speaking for CSI, Mr Ian Pratt, who will stay on as a director of Betacom, said that Cannon Street would have preferred to sell a smaller stake in Betacom but the Stock Exchange had insisted it reduce its stake to 29.99 per cent.

Applications for shares, which are being offered through McCaughan Dyson Capel Cure, should be made by December 1.

● **COMMENT**

Launching an issue the day before British Steel takes a fair amount of nerve but then anyone who sells phones in the shape of sports cars and Budweiser cans is not short on *chutzpah*. Like Amstrad, Betacom has its goods manufactured in the Far East and then relies on marketing skills to sell them in the UK. It would be unwise to assume, however, that Betacom can repeat Amstrad's success. Telecommunications may be a growth market but it is fiercely competitive and Betacom will need to be agile to prosper in a future of System X, Telepoints and facsimile machines. There are plenty of multinationals trying to carve up those markets. That said, the shares are on a prospective p/e of 11, which compares pretty well with Racal Telecom, for example. The offer should be able to get away safely without too much difficulty.

Moran 33% downturn

MORAN Holdings has reported a 33 per cent fall in annual profits from £527,686 to £352,719 in the year to June 30 on turnover up slightly from £25.4m to £25.54m.

The directors said the residential development company suffered from a downturn in demand and selling prices and also by the failure to complete contract on the forward sale of eight units in a development on the Isle of Dogs, east London.

The proposed final dividend of 2p, makes an unchanged total for the year of 3p on earnings per 10p share of 3.62p (4.97p).

OIS in £6.5m merger

OIS Group, USM-quoted inspection and testing services company, is merging with the services division of IHL, which is itself the UK operating arm of Inspectorate International SA, one of Switzerland's largest service and inspection companies, and a shareholder in OIS since earlier this year.

The merger is to be implemented by way of the purchase by OIS of the IHL division for a consideration of 8.6m new shares, valuing the new business at just over £6.5m. This doubles the number of shares in issue and will also lead to a doubling of group turnover to around £50m.

Under the terms of the transaction 4m of the new shares will be sold back to OIS chief executive, Mr Paul Bristol – at a price yet to be determined except insofar as it will be more than the current market price – allowing him to maintain his stake in the enlarged business at 40.2 per cent. IHL itself will have 37.2 per cent of the new grouping.

IHL has warranted that the services' division's operating profits for 1988 will be no less than £1m in 1988 and £1.1m in 1989. Last year it made a pre-tax profit of £875,000 on turnover of £26.5m.

OIS shares closed unchanged at 76p yesterday; they will be suspended from today until the deal is completed.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Christie Group ...int	1.4	Jan 25	-	-	-
Cosalt ...fin	4.5	Jan 25	3	7	4.5
Hobson § ...fin	0.25‡	Jan 6	-	-	0.5
JSB Electrical § ...fin	2.7	Jan 8	2	4	2.5
Monks Investment ...int	1.5	Feb 2	1.2	-	3
Moran Holdings ...fin	2	-	2	3	3
Parkway Group § ...fin	2	-	0.35	3	0.35
Powell Duffryn ...int	6	Jan 4	5.25	-	15.5
Radio City § ...fin	6	-	nil	6	nil
Ranks Hovis ...fin	7.43†	-	5.84	10.61	8.49
Shaftesbury ...fin	1	-	nil	1	nil

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡Final of not less than 0.5p intended.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- BAT Industries, Blacks Leisure, Bread Street, Courtaulds, Hogg Robinson, Ivory Merchant Dev, Lane (JJ), Magnet, Marston Thompson & Evershed, Warburg (SG), Wilton.

Finals- Chemex Int, Calor, Radio Clyde, Sanderson Electronics.

FUTURE DATES

Interims-

Chemoxy International	Nov. 30
Electric & General Inv	Dec. 13
Fisher	Dec. 1
HPC	Nov. 30
Johnson Matthey	Dec. 5
MEM	Nov. 29
Ogilvy & Butler	Nov. 24
Project Shop	Dec. 1

Finals-

Amber Day	Nov. 29
Chemex International	Nov. 28
Dwyer	Dec. 6
Guinness Mahon	Nov. 24
Lovell (YJ)	Dec. 6
Royal Bank Of Scotland	Dec. 1
Sellers	Dec. 1

UK COMPANY NEWS

Parkway launches rights to fund fresh expansion

By Fiona Thompson

PARKWAY GROUP, rapidly-expanding pre-press production services group, yesterday announced profits more than trebled and a 3-for-5 rights issue at 220p to raise £27.3m for four acquisitions.

Taxable profits advanced from £1.31m to £4.81m for the year to September 30, on turnover up from £8.56m to £43.03m. Earnings per share rose from 6.9 to 16.1p and a recommended final dividend of 2p makes a total of 3p (1.5p).

Parkway, which joined the USM in July 1987, prepares photographs for reproduction in magazines and on posters. Pre-press production is a fast growing industry and the expensive digital technology used throughout has resulted in a few companies dominating the industry via acquisitions. Parkway has purchased 16 companies since it joined the USM, and today's announcement brings the tally to 20.

The four acquisitions are the West German Beckmann group, the Transcolor and Colorlux groups based in Italy, and two US companies, Kieffer-Nolde and Tartaro.

Beckmann is a leading supplier of colour separations to the mail order catalogue and magazine advertising markets, with operations in Hamburg and London. Parkway is paying £10.32m for Beckmann, £5.16m cash and 2.04m shares.

Transcolor and Colorlux, from bases in Milan and Verona, supply pre-press production services to the Italian and West German markets. The cost of Transcolor and Colorlux is £8.92m, made up of £2.37m cash and 2.6m shares.

Kieffer-Nolde is one of the most technically advanced producers of colour separations in the US. Based in Chicago, it services the advertising industry. Total consideration for Kieffer is £4.14m, via the issue of 808,731 shares and £2.04m cash.

Tartaro, based in Manhattan, is a creative colour laboratory servicing advertising agencies. Parkway is paying £1.6m for Tartaro, comprising cash of £758,427 and 323,492 shares.

Cosalt profit soars to £3m

A NEAR 80 per cent advance in pre-tax profits was achieved by Cosalt in the year ended August 28 1988, and the total dividend is lifted from 4.5p to 7p.

From turnover of £64.83m (£57.78m), operating profits came to £4.17m (£2.88m). After lower interest charges pre-tax profits worked through at £3.17m (£1.77m).

The current year looked promising, said directors of this ships' chandlery manufacturing and distribution, caravan producing and finance group. All divisions were profitable and in good order to continue to do so.

They said there was still plenty of potential in the group, and markets for its goods and services continued to be buoyant. Gearing had continued to fall and at the year-end was 18 per cent.

Of the operating profit, manufacturing contributed £1.85m (£1.34m), sales and distribution £843,000 (£583,000), caravans £1.32m (£1.08m), workwear £49,000 (nil), and finance and aviation £45,000 (£101,000). Discontinued activities incurred losses of £41,000 (£221,000).

Earnings for the year were 21.66p (13.43p). The final dividend is 4.8p.

Christie Group rises 68% to £2.66m midway

Christie Group, which came to the market in July, made pre-tax profits of £2.66m in the half year to October 1, a 68 per cent advance on the comparable £1.58m.

Mr Philip Gwyn, executive chairman, pointed out that interim results were not necessarily a guide to the full year. The outlook was encouraging.

The group provides professional agency, valuation, financial and management services to the licensed and catering, health care, leisure and retail markets.

Turnover in the half year rose to £12.5m (£7.75m). Earnings worked through at 7.7p (4.92p) per share and there is a maiden interim dividend of 1.4p.

Acquisition costs hit Delmar's interim figures

DELMAR Group, USM-quoted company involved in the fabrication and extrusion of rubber and plastics, reported a marked fall in pre-tax profits from £160,000 to £26,000 in the six months to September 30 1988.

This came from turnover slightly down at £2.65m (£2.72m), and after tax of £9,000 (£56,000) earnings per share came out at 0.23p (1.46p). There is again no interim dividend.

Directors said the result was behind that of last year for two reasons: The pre-acquisition costs of Delmar Birch, manufacturer of ophthalmic, safety and sunglass frames, which was bought earlier this year, and the mild winter which led to high stocks being held by its customers.

However, they said they had every confidence that the measures taken to diversify the group's activities promised well for both this year and the future.

Monks Inv ahead

Net asset value of the Monks Investment Trust increased to 279.9p per share at October 31 1988, from 266.3p six months earlier. Net available revenue increased to £2.45m in the period, against £1.71m last time. Earnings per 25p share jumped 44 per cent to 3.16p (2.2p), while an interim dividend of 1.5p (1.2p) is declared. And a final not lower than last year's 1.8p is forecast.

Hobson expands at midterm

By Fiona Thompson

HOBSON, the USM holding company for a group involved in exporting, commodity trading, aluminium fabrication and leisure, yesterday reported interim pre-tax profits of £703,000, up from £650,000 last time. Turnover for the six months to September 30, 1988 rose from £7.15m to £9.19m.

Hobson has three divisions: trading, manufacturing, and leisure and property. The mainstay business is selling soap and toiletries to West and Central Africa, although this high margin trade has become less significant with the increase in contribution from other areas of the world, and from manufacturing, said Mr Terry Plummer, chief executive.

Of total turnover, trading contributed £7m, manufacturing £2m, and leisure £125,000. The latter division comprises Images health club outside Birmingham. At the profits level, trading accounted for 70 per cent – with more than half coming from exports to Nigeria – and manufacturing 30 per cent, although the aim is to get a 50/50 balance, said Mr Plummer.

The manufacturing division fabricates non-ferrous metals used for a range of products including security grills and stage lighting rigs, and makes aluminium doors and windows for caravans. In June Hobson acquired Alutrade, which smelts high grade waste aluminium, and in August purchased Arnew Rubber and Plastics, which makes gaskets and seals.

On the trading side, Sharpstow International Homecare Products, supplier of insecticides, disinfectants and air fresheners, was acquired in August, giving Hobson an entry into the Middle East market and expanding its influence in the Caribbean. Tower Hill Merchants, in the trading division, is a general exporter and confirmer to the Caribbean.

Tax took £239,000 (£228,000) and earnings rose from 1.22p to 1.33p. An interim dividend of 0.25p (nil) is declared, and a final not less than last year's 0.8p is forecast.

Courtaulds buying US factory for £4.4m

By Alice Rawsthorn

COURTAULDS, the textiles and chemicals group, is expanding its interests in elastomeric, or stretch fabrics in the US by buying a factory in Woolwine, Virginia from JPS International in a deal worth $8m (£4.4m).

The Woolwine factory was previously part of the United Elastics stretch fabrics business, which was bought by Penn Elastic, Courtaulds' established US elastomerics company, in spring last year. The factory, with a workforce of 165, was excluded from the sale, but has since been used by Courtaulds as a contract production plant.

The elastomerics market has risen rapidly in recent years. The lingerie market has been buoyant and stretch fabrics have been used increasingly in new areas like sportswear. Moreover the US apparel industry has benefited from the comparatively low level of the US dollar.

This summer Courtaulds doubled its US stretch fabrics capacity by buying Liberty Fabrics, one of the largest North American elastomerics and lace producers. Liberty has since been integrated with Penn Elastic and the group is keen to increase its elastomerics capacity further.

Mr Martin Taylor, Courtaulds' director responsible for textiles, said that the acquisition of the Woolwine plant represented an opportunity to buy a "factory we know intimately" with "a highly skilled workforce".

The acquisition will boost the capacity of Courtaulds US elastomerics interests – with annualised sales of $75m – by about 15 per cent. Courtaulds is modernising the Woolwine production plant by installing new machinery to improve efficiency and increase capacity.

Bardon £8.38m buy

Bardon Group has acquired CA Pisani and Co, UK wholesaler of polished granite, marble and decorative stone, for £8.38m. Of this £6.62m is to be paid in cash with the balance in ordinary and preference shares.

A sense of unease at Lofs

Vanessa Houlder on the harsh choice facing its shareholders

IF JUDGED as an attempt to salvage a long-troubled shipping company, yesterday's extraordinary general meeting for London & Overseas Freighters was a distinct success.

The vote to approve a £4.6m rights issue triggered an agreement with its creditors that would more than halve its $40m (£21.9m) of debts and so stave off the threat of bankruptcy. It was, said Mr Derek Kimber, chairman, nothing less than "an opportunity to make a fresh start without this millstone round our necks".

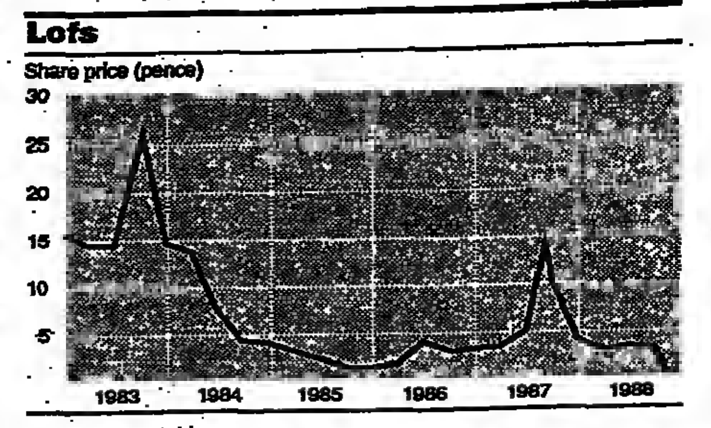
But many of the 40-odd shareholders who turned up to the Baltic Exchange yesterday, saw the occasion in a different light. It was an opportunity to voice their grievances and suspicions about a deal that diluted many shareholders' stakes tenfold and left the managing director's family company in control of 65 per cent of the business.

For a few hours last Friday, it seemed likely that the mood of the meeting would be a rather different one. Norex, a small shipping and insurance company was pressing shareholders to vote down the resolution and in its place accept its own £800,000 takeover offer. But this alternative was short-lived: late on Friday, it was abandoned after it became evident that one of the conditions of its offer could not be met.

In its absence, the choice Lofs presented to its shareholders was a stark one. On one hand, they could vote in favour of the rights issue, and either put up more money or see their stake diluted.

In practice, for one aggrieved shareholder, this meant that the stake he bought a couple of years ago for £10,000 was now worth virtually nothing. After a battering from last October's crash, which slashed it to just £2,000, the news of the rights issue left it valued at a princely £200.

Alternatively, shareholders could vote against the rights issue – in which case the company would be bound by its creditors to sell its two oil tankers. These were valued at about $30m, which after repayment of $40.3m of debts, would make any surplus for shareholders "extremely unlikely," it said.



The dismal arithmetic and the fact that the rights issue closed yesterday, left shareholders describing the deal as a "fait accompli". But that did not prevent a string of criticisms about the way in which the deal was struck.

There was, according to one elderly gentleman, "a sense of unease" because Seneca, the shipping company that underwrote the offer was owned by the Kulukundis family, which had two directors on Lofs's board. Was it, suggested another shareholder, a backdoor route for Seneca to take control of Lofs's two tankers? These were, protested the chairman, "unworthy suggestions".

Shareholders were also unhappy that the deal was not, strictly speaking, a rights issue. Rather, it was an offer to shareholders, precluding them from selling their rights in the market. This was, in the view of one investor "extremely undemocratic" and unfair on the many shareholders who would not take any action at all.

So what now is the future for Lofs? If historical precedent is anything to go by the prognosis is not good. The company has lurched in and out of financial crisis for the past ten years. In 1984 the company had a £8.6m rights issue to stave off its creditors, but the year after was forced to sell three more of its ships.

Shareholders have similarly had a bumpy ride. Many bought into the company at prices that were buoyed up by bid rumours as it was in the bull market in 1987, which saw the register swell to 8,000 shareholders.

Yet the overcapacity that has plagued the oil tanker market for years has been steadily abating. In the half year to last September Lofs pulled out of losses to report a $335,000 pre-tax profit.

Its trading environment is, says Lofs, "more encouraging" and the company is considering how it can now develop. That said, its priorities have been firmly focused on how best to survive. "When you have a hangman's noose round your neck, you don't consider where you are going for your next summer holiday," said Mr Kimber.

Fairey sale success bodes well for British Steel

By Philip Coggan

THE offer-for-sale of shares in Fairey, diversified engineering group, was 2.7 times subscribed when applications closed yesterday.

The success of an unglamorous issue such as Fairey will be encouraging news for British Steel, which will launch its prospectus and its offer price today.

Fairey went independent in late 1986 via a management buy-out from Pearson, the diversified group which owns the Financial Times.

The issue was arranged by Lazards, merchant bank, at 155p per share, giving Fairey a market capitalisation of £51.2m and putting the shares on a prospective p/e of just over nine.

Those who applied for up to 2,000 shares will be allotted in full. Above that figure the basis of allocations is: those who applied for 2,500 shares will receive 2,000; 3,000-20,000 – 75 per cent of those applied for; those who applied for 25,000 – 15,000; 30,000-140,000 – 50 per cent; 150,000-250,000 – 71,000; and for 300,000 shares and above – 25 per cent.

Dealings will start on November 29.

JSB makes £1.7m rights and seeks full listing

JSB Electrical, USM-quoted emergency lighting and fire detection group, yesterday unveiled a £1.7m rights issue together with a proposed application for a full Stock Exchange listing.

Mr David Smith, chairman, said the cash call – involving the issue of 1.05m new ordinary shares on a one-for-five basis at 165p – "will increase our capital base and provide us with the working capital required for our continued expansion and the finance to allow us to take advantage of suitable acquisition opportunities as they arise."

JSB also announced results for the year to end-September which showed pre-tax profits more than doubled to £1.56m (£771,000), on turnover 52 per cent higher at £11.87m.

Mr Smith reported a recovery in export sales, although sterling's strength and efforts to preserve margins "prevented us from achieving the results we would have liked in overseas markets".

Earnings per 20p share rose to 19.14p (10.43p) and a recommended final dividend of 2.7p makes 4p (2.5p) for the year.

Costs of £25,000 relating to an abortive bid to acquire a private company were taken as an extraordinary item.

SHARE STAKES

The following changes in share stakes have been announced:

American Trust: Avon Insurance has disposed of its entire holding of 'B' ordinary (previous holding 58.135 'B' – 6.1 per cent).

Archimedes Investment Trust: Exmoore Dual Investment Trust has acquired a stake of 160,000 capital shares (13.06 per cent). The shares are registered in the name of Lloyds Bank (Branches) nominees.

Authority Investments: Witan Investment holds a total of 1m ordinary (11.09 per cent).

Camellia Investments has purchased for cancellation 1,000 ordinary at £19 per share.

China and Eastern Inv: Prudential Assurance has disposed of its interest amounting to 1.36m ordinary. Phillips Pension Association is now interested in 1.3m ordinary. Phillips Pension Fund has purchased 1.3m ordinary (7.65 per cent).

Cray Electronic Holdings: Provident Mutual Life Assurance Association is now interested in 5.94m (7.01 per cent) – up from 6.03 per cent.

Dawson International: Prudential Group is now interested in 8.06m ordinary (5.25 per cent).

De La Rue: Bishopsgate Investment Trust now owns 21.03m ordinary (15 per cent).

First Leisure Corporation: Lord Rayne has purchased 300,000 ordinary shares at 145p (0.146 per cent), raising the total holding to 39.02m (28.45 per cent). The registered holder is London Merchant Securities.

Geest: Parkview has disposed of 400,000 ordinary at 261p and now holds 9.71m (14.04 per cent).

Grampian Holdings: Scottish Amicable Investment Managers, following recent purchases, holds 2.99m ordinary (7.36 per cent).

Hickson International: Allied Commercial Exporters has acquired 830,000 ordinary and now holds 9.2m (11 per cent).

In Shops: Baillie Gifford owns, by way of funds under management, 1.55m ordinary (6.34 per cent).

International Business Communications: Scottish Amicable Investment Managers controls 3.51m ordinary (6.09 per cent).

Kleinwort Overseas Investment Trust: Royal Insurance Group has bought 725,000 ordinary and now holds 6.79m (8.46 per cent).

Lep Group: BNV (Nominees) have disposed of 2.95m ordinary (2.61 per cent) and now hold 6.88m (6.098 per cent). The shares are held for Bank of NY (NY) as depositary for Lep's ADR facility in the US.

Marler Estates: Priest Marians Holdings has acquired 150,000 ordinary (0.196 per cent) and the total holding is now 6.4m (8.38 per cent).

Memory Computers: Mr Roger Abraham, following further purchases of ordinary and conversion of his holding of preference shares, has a total holding of 6.61m ordinary (17 per cent). As already disclosed, some 4m of the total are subject to an option agreement with two executive directors.

Miss World Group: Julia Morley has sold 5,000 shares at 430p and now holds 506,000 shares (8.44 per cent).

Newman Tonks: Holding of Scottish Amicable Investment Managers has increased to 3.71m (5.86 per cent).

Norton Opax: The British Airways Pension Trustees are beneficial owners of 5.084 per cent of the issued share capital under the name of Bt Barclays nominees.

Pentos: Scottish Amicable Investment Managers now holds 5.26m ordinary (6.7 per cent).

Perry Group: Funds under the management of Scottish Amicable Investment Managers have acquired 100,000 ordinary (0.54 per cent). The total holding is now 1.58m (8.55 per cent).

Regalian Properties: BAT Industries has disposed of 163,485 ordinary, reducing its holding to 5.38m (5.836 per cent).

RKF Group: Electra Investment Trust, following a market purchase, holds 2.87m ordinary (7.7 per cent).

J Rothschild Holdings: The company has purchased 500,000 ordinary at 153.75p per share. After these shares have been cancelled the issued share capital will be 289.72m ordinary.

Rowlinson Securities: Institutions have acquired the 624,824 ordinary (5 per cent) sold by Omega Trust and Finance.

SEP Industrial Holdings: Standard Chartered Merchant Bank has disposed of 100,000 preferred ordinary (1.365 per cent) and now holds 361,240 (4.931 per cent).

Standard Chartered: P Kwong Ching Woo has disposed of 7.75m shares (3.318 per cent) at 471p. Total holding is now 500 shares (0.0002 per cent). The shares are registered in the name of Pine Nominees.

Viking Resources Trust: Three Palms has bought 6.09m shares and now holds 15.24 per cent.

Whitney Mackay-Lewis: Sinclair Goldsmith Holdings has increased its stake by 110,000 shares to 545,000 (10.2 per cent).

World of Leather: Baillie Gifford and Co now has funds under management holding 525,000 ordinary (6.56 per cent).

Zetters Group: Sun Life Pensions Management now holds 427,500 shares (6.519 per cent of the voting capital).

COMPANY NEWS IN BRIEF

ASSOCIATED NEWSPAPERS: Daily Mail and General Investments had, by November 16, received acceptances in respect of 37.58m Associated ordinary (28.09 per cent). DMGI now speaks for 112.23m (83.89 per cent), and the offer has been extended until November 25.

BIRMID QUALCAST: bid by Blue Circle Industries not being referred to Monopolies Commission.

BRITISH EMPIRE Securities and General Trust: Net asset value 49.58p per share at September 30 against 63.53p a year earlier. At October 30 1988 it was 50.47p. Final dividend 0.46p (0.4p) for 0.66p (0.6p) total. Net revenue £377,288 (£1.6m) after tax of £392,172 (£351,939) for earnings of 0.28p (1.2p).

DALGETY: Current year had started well, Sir Peter Carey, chairman, told AGM. He was confident and expected further advances across the range of activities. Referring to 1992, Sir Peter said group was well positioned, being represented in 10 of the 12 EC countries.

DWYER, property investment and trading company, is acquiring a portfolio of nine commercial properties from Manufacturers Life Insurance Company for £9m cash. The annual rent roll is about £700,000.

ESTATES & AGENCY has announced the placing of a further £7.5m 11.25 per cent first debenture mortgage stock 2020, redeemable on or before December 31 2020.

EVODE GROUP is selling about 3.7 acres of freehold land near Gerrards Cross, Buckinghamshire. The land is owned by the Commercial Ignition Company, acquired by Evode in 1987. Consideration will be about £3.8m in cash and completion is expected on December 14.

FIRST NATIONAL Finance has purchased Barnett Davanney Group, insurance broker, for £1.75m cash.

GENERAL ACCIDENT is acquiring Brogdens Estate Agents, which has six offices near Manchester and net assets of about £75,000. As part of the consideration GA will issue 57,646 ordinary.

GOVETT ATLANTIC Investment Trust: At October 31 1988 net asset value per 25p share stood at 158p (147.8p) taking prior charges at par. Dividends and interest received for year to end-October £5.15m (£6m), expenses and interest payable £1.08m (£1.48m) and tax £1.34m (£980,000). Earnings per share 3.3p (3.09p). Final dividend 2.05p making 3.15p (3p).

GREEN PROPERTY has placed £26m 8 per cent redeemable convertible unsecured loan stock 1988-1995 with investment institutions, for expansion of activities in Ireland and UK. Each £100 of stock is convertible into 66.66 ordinary shares between 1991-1995 and redeemable at par in 1995.

GUINNESS has bought two parcels of 250,000 of its own stock units at 332.4p, and 1m units at 334.4p. Cumulative purchases to date total 36.11m.

INVESTING IN Success Equities has declared offer for Panfida unconditional and merger now effective; name to be changed to Panfida Group. Acquisition of controlling interest in MRG (Holdings) also unconditional and change from investment trust to trading company effective.

LYNX TECHNOLOGY is to buy Advanced Processor Design for an initial £240,000, to be satisfied by the issue of 2m ordinary shares. Further consideration up to £750,000 depends on profits up to March 31 1990.

WARNFORD INVESTMENTS (property investment): Pre-tax revenue £3.29m (£2.49m) for six months to June 24 1988. Gross rents and service charges £4.48m (£3.82m). Interim dividend 8p (8p) payable from earnings of 22.4p (16.57p) per 20p share.

WILLS GROUP: Turnover £52.2m (£54.66m) and taxable profits £535,000 (£779,000) for six months to June 30 1988. Earnings per share 2.4p (4.7p). Directors said declaration and payment of an interim dividend dependent on outcome of negotiations for sale of F J Hawkes.

WITAN INVESTMENT Company: Net asset value 147.5p at October 31 against 142.9p a year earlier. Net revenue for six months ended October £3.58m (£8.1m) for earnings per share 1.91p (1.77p). Interim dividend 1.3p (1.05p) to reduce disparity. Final dividend expected to be at least maintained.

Betacom

A copy of this document, which comprises listing particulars relating to Betacom Plc prepared in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies for registration in accordance with Section 149 of that Act.

Application has been made to the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited for the whole of the Ordinary Share capital of the Company to be admitted to the Official List. It is expected that admission to the Official List will become effective, and that dealings in the Ordinary Shares will commence, on 9th December, 1988.

The Directors of the Company, whose names appear under "Directors and Advisers" below, accept responsibility for the information contained in this document. The directors of Cannon Street Investments P.L.C. accept responsibility together with the Directors of the Company for the information contained in the paragraphs entitled "Relationship with CSI" and "Reasons for the Offers" in Part I of this document. To the best of the knowledge and belief of the Directors of the Company and the directors of Cannon Street Investments P.L.C. (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

Betacom

BETACOM Plc

(Registered in England and Wales, No. 955321)

OFFER TO THE SHAREHOLDERS OF CANNON STREET INVESTMENTS P.L.C.
AND
OFFER FOR SALE TO THE PUBLIC

of 20,166,102 ordinary shares of 10p each at 82p per share

in BETACOM Plc
BY
McCAUGHAN DYSON CAPEL CURE (UK) LIMITED

SHARE CAPITAL

Authorised		Issued or allotted and paid up
£3,870,000	in ordinary shares of 10p each	£3,102,000

The Ordinary Shares now being offered rank in full for all dividends and other distributions hereafter declared, made or paid on the Ordinary Share capital of the Company.

INDEBTEDNESS

At the close of business on 31st October, 1988, the Group had outstanding a secured bank mortgage of £74,500, a secured bank overdraft of £789,748 and hire purchase commitments of £23,160.

Save as aforesaid and apart from intra-group indebtedness and intra-group guarantees, neither the Company nor any of its subsidiaries had at that time any loan capital (including term loans) outstanding or created but unissued, or any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"Betacom" or "the Company"	Betacom Plc
"the Group"	the Company and its subsidiaries
"Betacom International"	Betacom International Limited, a wholly-owned subsidiary of the Company
"Global"	Global Telecommunication Laboratories Limited, a wholly-owned subsidiary of the Company
"Directors"	the directors of the Company
"Ordinary Shares"	ordinary shares of 10p each in the capital of the Company
"McCaughan Dyson Capel Cure"	McCaughan Dyson Capel Cure (UK) Limited
"CSI"	Cannon Street Investments P.L.C.
"the Shareholder Offer"	the offer set out in this document by McCaughan Dyson Capel Cure of Ordinary Shares to shareholders of CSI
"the Public Offer"	the offer set out in this document by McCaughan Dyson Capel Cure of Ordinary Shares to the public and to eligible employees of the Group
"the Offers"	the Shareholder Offer and the Public Offer
"the Offer Price"	82p per Ordinary Share
"British Telecom"	British Telecommunications plc
"PABX System"	Private Automatic Branch Exchange System
"The Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"the Share Option Scheme"	the Betacom Limited 1988 Executive Share Option Scheme
"the ESOP"	the Betacom 1988 Employee Share Ownership Plan

TIMETABLE FOR THE OFFERS

Record date for the Shareholder Offer	18th November, 1988
Completed application forms and payment to be received by	***10.00 am on Thursday, 1st December, 1988***
Expected date of *announcement of allocations*	2nd December, 1988
Expected date of despatch of Renounceable Letters of Acceptance	8th December, 1988
Dealings expected to commence	9th December, 1988
Last date for splitting	4th January, 1989
Last time and date for registration of renunciation	**3.00 pm on Friday, 6th January, 1989**
Expected date of despatch of definitive share certificates	3rd February, 1989

THE OFFERS

20,166,102 Ordinary Shares in the Company (65.01 per cent. of the Ordinary Share capital) are being offered to eligible shareholders of CSI, employees of the Company and the public. The Offers have been underwritten by McCaughan Dyson Capel Cure.

Approximately 13,168,000 of the Ordinary Shares are being offered under the Shareholder Offer to shareholders of CSI pro rata to their registered holdings of CSI ordinary shares as at 18th November, 1988 save that holders of 1,050 or less CSI shares will receive an entitlement of 175 Ordinary Shares in Betacom, the minimum number of Ordinary Shares for which applications may be accepted under the Shareholder Offer. CSI shareholders who apply for their pro rata entitlement in full will also be allowed to apply on a preferential basis for excess Ordinary Shares not taken up under the Shareholder Offer. Insofar as there are insufficient Ordinary Shares available under the Shareholder Offer, applications for such excess Ordinary Shares will be treated as applications made under the Public Offer.

Under the Public Offer, the remaining Ordinary Shares, approximately 6,998,102 in number, are being offered for sale to the public subject to preferential applications from eligible employees of the Company for up to 699,810 Ordinary Shares (10 per cent. of the shares being offered under the Public Offer). Any Ordinary Shares not taken up in the Shareholder Offer will be available for sale under the Public Offer.

Immediately prior to the Offers, 1,551,000 Ordinary Shares (5 per cent. of the Ordinary Share capital of the Company) were made available for the purposes of the ESOP. Details of the ESOP are set out in paragraph 9 of Part V.

Prior to the Offers 29,000,000 Ordinary Shares were allotted to CSI for a consideration of £7,975,000. Following the Offers, the Company will cease to be a wholly-owned subsidiary of CSI, which will then own 9,302,898 Ordinary Shares, being 29.99 per cent. of the issued Ordinary Share capital of the Company. CSI has undertaken not to increase its percentage interest in the Company without the consent of The Stock Exchange and not to dispose of any Ordinary Shares prior to the announcement of the results of the Group for the year ending 31st December, 1989 without the prior consent of McCaughan Dyson Capel Cure.

Further details of the Offers are set out in paragraph 6 of Part V.

SUMMARY OF INFORMATION

The following information should be read in conjunction with the full text of this document, from which it is derived.

BUSINESS

Betacom designs, develops and markets telecommunication products. It is one of the leading suppliers of domestic telephones in the UK; other products include a mini-switchboard system and a newly-launched portable fax machine and copier (available early in 1989) which are aimed at both business and domestic markets. Nearly all of its products are imported from the Far East and marketed under the Betacom label. Its principal customers are major high street retailers, large distributors and mail order companies.

GROUP TRADING RECORD

The following trading record has been extracted from the Accountants' Report set out in Part III.

	Period ended					
	30th Sept. 1983	30th Nov. 1984	30th Nov. 1985	30th Nov. 1986	31st Dec. 1987	30th Sept. 1988
Number of months in the period	12	14	12	12	13	9
£'000						
Turnover	1,856	3,317	3,979	5,793	13,355	12,171
Profit/(loss) on ordinary activities before taxation	(35)	124	201	619	2,326	1,720

TURNOVER AND PROFIT FORECASTS

On the basis of the assumptions set out in Part II, the Directors forecast for the year ending 31st December, 1988 turnover of approximately £17,500,000 and profit before taxation of not less than £2,500,000

OFFER STATISTICS

Offer Price	82p
Number of Ordinary Shares in issue following the Offers	31,020,000
Market capitalisation at the Offer Price	£25,436,400
Percentage of Ordinary Share capital being offered	65.01%
Earnings per Ordinary Share (note 1)	7.43p
Price/earnings ratio at the Offer Price	11.0
Forecast net dividend per Ordinary Share (note 2)	2.6p
Gross dividend yield at the Offer Price (note 2)	4.2%

Notes:

(1) Earnings per Ordinary Share have been calculated on the basis of the forecast profit before tax for the year ending 31st December, 1988 of £2,500,000, an assumed tax rate of 35 per cent. and a weighted average number of 21,844,081 Ordinary Shares in issue during the period.

(2) The basis for the net dividend per Ordinary Share and the gross dividend yield is set out in the paragraph entitled "Financial Information" in Part I.

DIRECTORS AND ADVISERS

DIRECTORS

Dennis Malcolm Baylin
(Chairman and Chief Executive)
Brian Maurice Korel ACA
(Finance Director)
Philip Reginald Thorndyke
(Sales Director)
Nigel Philip Salomon
(Marketing Director)
Stephen Philip Birch
(Technical Director)
Ian Derek Pratt ACA *(Non-Executive)*

all of Unit 12, Ponders End
Industrial Estate, Duck Lees Lane,
Enfield, Middlesex EN3 7TQ

COMPANY SECRETARY AND REGISTERED OFFICE

Brian Meurice Korel ACA
Unit 12, Ponders End
Industrial Estate, Duck Lees Lane,
Enfield, Middlesex EN3 7TQ

STOCKBROKERS

McCaughan Dyson Capel Cure
(UK) Limited
65 Holborn Viaduct,
London EC1A 2EU

AUDITORS AND REPORTING ACCOUNTANTS

Peat Marwick McLintock, Chartered
Accountants, 1 Puddle Dock,
Blackfriars, London EC4V 3PD

SOLICITORS TO THE COMPANY

Clifford Chance
Royex House, Aldermanbury Square,
London EC2V 7LD

SOLICITORS TO THE OFFERS

Travers Smith Braithwaite
6 Snow Hill, London EC1A 2AL

PRINCIPAL BANKERS

Bank of Scotland
Glasgow Chief Office,
110 St. Vincent Street,
Glasgow G2 5EJ

REGISTRAR AND TRANSFER OFFICE

Bank of Scotland
Registrar Department,
26A York Place, Edinburgh EH1 3EY

RECEIVING BANKERS

Bank of Scotland
New Issues Department,
PO Box 30,
2nd Floor, Broad Street House,
55 Old Broad Street,
London EC2P 2HL

Betacom

Betacom

PART I
PARTICULARS OF THE COMPANY

INTRODUCTION

Betacom designs, develops and markets telecommunication products. It is one of the leading suppliers of domestic telephones in the UK; other products include a mini-switchboard system and a newly-launched portable fax machine and copier (available early in 1989) aimed at both business and domestic markets. Nearly all of its products are imported from the Far East and marketed under the Betacom label. Its principal customers are major high street retailers, large distributors and mail order companies.
The Company develops and markets a wide range of basic and feature telephones, cordless telephones and answering machines together with a growing range of other telecommunication products.
The Directors believe that Betacom's strengths are:
- ☎ an experienced and committed management team
- ☎ well-designed products with innovative features
- ☎ a comprehensive design and development and associated research capability
- ☎ a well-established distribution network in the UK
- ☎ products which will allow expansion into the business market
- ☎ the potential for development into overseas markets

BACKGROUND TO THE UK TELECOMMUNICATION MARKET

Since 1981 the telecommunication industry in the UK has undergone substantial changes as a result of deregulation and liberalisation. Traditionally, telephones have been rented from British Telecom by the consumer but since 1981 it has become possible for suppliers other than British Telecom to sell telecommunication equipment for connection to the telephone network. Further legislative changes, including the right of consumers to install extension sockets *within their own premises, have created a greater demand for additional* telephones and related equipment.
The principal measure governing the supply of telecommunication services is The Telecommunications Act 1984. All equipment for connection to public networks must be approved by the Director General of Telecommunications, an independent regulator of the industry. Equipment for which approval is sought is tested and assessed by the British Approvals Board for Telecommunications (BABT) which then may recommend approval.
Betacom has considerable experience in obtaining BABT approvals and was amongst the first companies to gain such approval for a domestic telephone. It was the first supplier to obtain authorisation for its own branded telephone to be *used on Mercury Communications Limited's network.*

HISTORY

Betacom was established as a general trading company in 1969 but, with the growth in the consumer electronics market, it turned its attention in the mid-1970s to sourcing, importing and distributing consumer electronics goods from the *Far East.*
In 1982 the Company set up a retailing subsidiary to operate franchises in several large department stores. However, the venture was not successful and in 1984 the Directors decided to close the operation to concentrate on the more profitable areas of the business.
By 1983 Betacom had identified a new and rapidly growing market for telecommunication products. The Company began to develop and market telephones and by 1984 had received its first BABT telephone approval. In the following year a new answering machine was introduced. Through its well-established contacts with suppliers in the Far East it was able to source and develop one of the first one-piece telephones to receive BABT approval. At the same time the Directors decided to widen the Company's customer base and improve the efficiency of its distribution operations by targeting customers able to achieve high volumes of sales.
In 1985 Betacom acquired the trading name CGL and began its distribution of hand-held computer games and computer chess games. This activity has integrated well into Betacom's existing distribution network and has enhanced contacts with large retailers who distribute other Betacom products.
By 1986, Betacom's business was expanding rapidly, as was its range of products. In order to maintain its rate of expansion and to satisfy increasing market demand, Betacom required additional funding and in early 1987 it was acquired by CSI. Since then CSI has provided the support which has enabled expansion of the *product range and extension of the Company's marketing and* sales operations. This has created a corporate infrastructure which, the Directors believe, will allow the Company to expand without the need for significant further capital expenditure.
In August 1988, Betacom acquired Global, a Bristol-based telecommunication development and testing laboratory. In addition to its development and testing facilities, Global also provides Betacom with the capability to carry out service and repair work in-house.

PRODUCTS

Since the Company's first BABT approval was granted in 1984 for its one-piece telephone, Betacom has diversified its range of products to encompass higher volume and multi-featured items.
Betacom's current telecommunication range includes the following categories:–

One-piece Telephones	— Basic and memory models
Two-piece Telephones	— From basic to hands-free feature models
Cordless Telephones	— Basic and memory models
Clock Telephones	— With or without integral radio
Novelty Telephones	— In a variety of designs and shapes
Multiphone	— a Mercury-compatible multi-featured telephone
Answering Machines	— Simple machines to remote control models with integral telephones
Small PABX System	— *Compact 4/Compact 4 Plus*, a one line system allowing up to 12 extensions for intercom or external use
Fax Machine	— *Betacom Murata F-20*, a newly-launched portable fax machine and copier, available early 1989

Until recently, the majority of Betacom products has been aimed at the domestic market. However, within the range are models directed at both the business and domestic markets including *Betacom Murata F-20* and *Compact 4*. Furthermore many telephones incorporate features compatible with the latest business switchboards and the growing number of modern telephone exchanges.
In addition to its telecommunication products, Betacom also markets and distributes computer chess games and a range of hand-held *Nintendo* computer games.
The Directors believe that Betacom is a recognised brand-name which offers innovative designs, a wide range of competitively priced products and a comprehensive after-sales service.

MARKETING, SALES AND DISTRIBUTION

Flexibility and the ability to respond to rapidly changing markets have been essential in establishing Betacom's prominent position in a growing industry following deregulation and liberalisation. As a result of its experience in gaining approval for its products Betacom can react quickly to market demands. However, the Directors believe that Betacom's success has been due as much to its marketing strategy as to its product development.
Betacom invests considerable financial resources in enhancing its brand-name and position in the market. The Group undertakes full colour advertising campaigns in national newspaper colour supplements. In addition, Betacom provides point of sale advertising and information leaflets to retailers and distributors for their customers.

The Company's strategy is to make volume sales. This is achieved through sales to major high street retailers, mail order companies and to distributors and wholesalers which in turn supply smaller retailers. The Company also sells in volume to the incentive and promotional businesses. This strategy has enabled Betacom to achieve a wide geographical coverage and increasing consumer awareness within the UK.
Betacom International
Betacom International, a subsidiary incorporated in Hong Kong, was formed in 1984 to facilitate the delivery of bulk orders to selected purchasers in the UK. Betacom International is now also being used to develop the Group's overseas markets. It recently obtained orders to supply products for use by Telecom New Zealand whose national approval standards are similar to those in the UK.

RESEARCH AND DEVELOPMENT

Betacom's wide range of telecommunication products reflects its skill in gaining approvals for telephones which, increasingly, have a number of sophisticated features. *In a market where technology and product innovation are advancing,* the Directors have recognised that research and development are crucial in the approval process and in maintaining Betacom's competitive edge.
Until recently the Company has used outside contractors for researching and developing new products. In January, 1988, Betacom established an in-house laboratory and in August, 1988 further strengthened its product development capability by the acquisition of Global.
Global
Global is a leading developer of consumer telecommunication products in the UK and, prior to its acquisition, undertook most of Betacom's development work. Global's engineering team has considerable technological expertise and *experience in this area of the telecommunication industry. Global will continue* to offer its services to third parties on a confidential basis thereby maintaining contacts with other companies.
The function of both Global and the in-house laboratory is to design and develop new products as well as to update and enhance the existing range. The Group is also investigating the specifications required to meet approval standards in other countries.
The Directors believe that Global will strengthen the Group's competitive position by improving the speed of its product development and increasing its capacity to develop and enhance products both to UK standards and for export markets.

COMPETITION

Betacom is one of the market leaders in the UK in the supply of domestic telephones. In the 52 weeks to 1st October, 1988 Betacom was the largest supplier of domestic telephones in the UK in terms of units sold, ranking second in terms of sales value (source: Audits of Great Britain PLC, October 1988 – excludes sales through British Telecom and specialist telephone shops). Betacom responds to increasing competition by continuously extending its product range to include new and more sophisticated equipment.

DIRECTORS

Dennis Baylin, aged 42, is the Chairman and Chief Executive. In 1969 he founded Betacom which was family controlled until 1987. As Managing Director of Betacom since its incorporation he has considerable experience in the import and distribution business including 13 years involvement in consumer electronics. *He has been primarily responsible for Betacom's development over* the last 5 years and was particularly involved in the acquisition of Global. He continues to have special responsibility for the strategic development of the Group and is closely involved in product innovation.
Brian Korel, aged 29, is the Finance Director. He qualified as a Chartered Accountant with H. W. Fisher & Co. in 1983 and remained in the profession until 1985 when he joined N. Norman Limited, a small manufacturing company, as financial controller. He joined Betacom in September 1986 and was appointed Finance Director in April 1987.
Philip Thorndyke, aged 44, is the Sales Director. He joined Betacom in July 1986. He has 20 years experience in sales including managerial positions within P. H. Betts (Holdings) *Limited and 3 years as national accounts manager* of Sparkomatic (UK) Limited, an international manufacturer of in-car entertainment systems. He was appointed to the Board in December 1987 and, in addition to having overall responsibility for sales, he directly manages all key customer accounts.
Nigel Salomon, aged 33, is the Marketing Director. He joined Betacom in February 1987. Prior to joining the Company, he worked for Electronic Rentals Group Plc for seven years in managerial positions. He was involved in marketing and sales including 3 years developing the U.S. division. He was appointed to the Board of Betacom in August 1988.
Stephen Birch, aged 41, is the Technical Director and Managing Director of Global. He has been involved in the telecommunications industry for 25 years, having joined Post Office Telephones (now British Telecom) in 1963 and in 1983 he set up Global. He has represented the Telecommunications Industry Association on committees dealing with such matters as determining European standards and on the Office of Telecommunications (OFTEL) working group on approval procedures. He joined the Board in August 1988.
Ian Pratt, aged 31, is a Non-Executive Director of Betacom. He is a Chartered Accountant and a Director of CSI. As a member of CSI's Corporate Resource Group he has been involved with Betacom since its acquisition in 1987 and became a Director in September, 1988.

SENIOR MANAGEMENT AND EMPLOYEES

Paul Kenyon, aged 44, is the technical manager. He joined the Company in January 1988 after 20 years in *electronics and telecommunications research* and is largely responsible for the development of new products.
Robert Mulkerrin, aged 44, is the chief engineer at Global. Prior to joining Global in 1986 he worked for 15 years at Philips TMC (a business telephone systems division of Philips) including 2 years as chief engineer of advanced product development. One of his key roles was as project leader on the design and development of British Telecom's Herald telephone system.
Jayanti Patel, aged 36, is the warehousing and distribution manager. He is responsible for the storage and distribution of all products in the UK and has been with the Company for 10 years.
In addition to the Directors and Senior Management the Group currently employs 78 staff (1987 – average number 22) of whom 20 are engaged in administration. Global has a staff pension scheme and it is intended to set up a Group pension scheme in the near future.
The Company has adopted an executive share option scheme, details of which are set out in paragraph 8 of Part V. In addition, an Employee Share Ownership Plan has been established for the benefit of the Group's employees, details of which are set out in paragraph 9 of Part V.

FINANCIAL INFORMATION

Trading Record
The trading record of the Group, which has been derived from the Accountants' Report for the five financial periods ended 31st December, 1987 and the nine months ended 30th September, 1988, is summarised below:

	Period ended					
	30th Sept. 1983	30th Nov. 1984	30th Nov. 1985	30th Nov. 1986	31st Dec. 1987	30th Sept. 1988
Number of months in the period	12	14	12	12	13	9
£'000						
Turnover	1,856	3,317	3,979	5,793	13,355	12,171
Gross Profit	371	606	899	1,426	3,685	3,172
Profit/(loss) on ordinary activities before interest payable and similar charges and Taxation	(23)	148	260	754	2,593	2,038
Interest payable and similar charges	(12)	(24)	(59)	(135)	(267)	(248)
Profit/(loss) on ordinary activities before Taxation	(35)	124	201	619	2,326	1,790
Taxation	–	(1)	(73)	(250)	(795)	(628)
Profit/(loss) on ordinary activities after Taxation	(35)	123	128	369	1,531	1,162

The Company has achieved a significant rate of expansion over the last three years. As all of Betacom's products are sourced from overseas, its working capital requirements, which are mainly provided by letter of credit facilities, have also increased significantly. The financial support provided by CSI, in particular the guaranteeing of borrowings and letter *of credit facilities, since early in 1987* has enabled Betacom to achieve considerable organic growth over the last 18 months. The capital injection by CSI (referred to under "Pro-forma net assets" below) will put the Company on a sound financial footing and will lead to significant savings in interest costs in the future.
The rise in turnover in the financial periods ended 30th November, 1986 and 31st December, 1987 (the latter period being a 13 month period) compared with the previous financial periods can be attributed to a rapidly growing domestic market for telephones and related equipment *and to Betacom's ability to develop* a competitive product range. This rising trend has continued in the financial period ended 30th September, 1988. Historically, some 40 per cent. of sales have been made in the last four *months of the calendar year and the current* level of trading indicates a similar pattern for this year.
Gross profit margins have risen during the period to a level of 26.1 per cent. for the 9 months ended 30th September, 1988. The higher gross profit margin of 27.6 per cent. in the 13 months ended 31st December, 1987 was unusual and largely attributable to currency exchange gains which are not expected to recur under the current policy to minimise exposure to currency fluctuations.
During the financial period ended 31st December, 1987 and, particularly in, 1988 Betacom has made a significant financial commitment to marketing the Betacom brand name, developing new products and creating a Corporate infrastructure which will provide a sound platform for future growth. The Directors believe that the Company is capable of significant further expansion without a proportionate increase in the level of overheads.
Turnover and Profit Forecast
The Directors forecast that, in the absence of unforeseen circumstances and on the basis of the assumptions set out in Part II, for the year ending 31st December, 1988 Group turnover will be approximately £17,500,000 and Group profit before taxation will be not less than £2,500,000.
Based on a tax charge on the forecast Group profit of 35 per cent. and on a weighted average number of 21,844,061 Ordinary Shares in issue following the Offers, the Directors estimate that earnings per Ordinary Share for the year ending 31st December, 1988 will be 7.43p per share and, at the Offer Price, the price/earnings ratio would be 11.0.
Dividends
On the basis of the profit forecast for the year ending 31st December 1988 the *Directors expect to recommend a final dividend of 0.2p net per Ordinary Share* (0.267p inclusive of the related tax credit) for payment in or about May 1989. This will be the first dividend payable by the Company after admission of the Ordinary Shares to the Official List and reflects the fact that the shares will have been listed for less than one month of the current year.
The Directors expect to recommend an interim dividend of 1.0p net and a final dividend of 1.6p net in respect of the year ending 31 December 1989, which, together with a related tax credit at 25 per cent., is equivalent to 3.5p per Ordinary Share. On this basis the gross dividend yield at the Offer Price would be 4.2 per cent. It is intended that the interim dividend will be paid in October and the final dividend in May of each year.
***Pro-forma* net assets**
On 25th October, 1988, 29,000,000 new Ordinary Shares were allotted to CSI for a total consideration of £7,975,000. This will be used primarily to provide Betacom with working capital facilities as it expands and to repay bank borrowing and intra-group indebtedness. The pro-forma balance sheet of the Group set out in Part IV of this document shows adjusted net assets of the Group as at 30th September, 1988 of £10,771,000.

RELATIONSHIP WITH CSI

Betacom was acquired by CSI in March 1987 but has been operated as an autonomous company whilst it has been a member of the CSI group.
The Board of CSI considers that it is in the best interests of its shareholders to retain an interest in Betacom. Following the flotation, CSI will own 29.99 per cent. of the issued share capital of the Company and Ian Pratt, a director of CSI, will remain as a Non-Executive Director of the Company. However, CSI will neither control the affairs of Betacom nor the composition of its Board.
CSI intends to retain the shares as an investment and has undertaken not to increase its percentage holding without the consent of The Stock Exchange and not to dispose of any Ordinary Shares prior to the preliminary announcement of the results of the Group for the year ending 31st December, 1989 without the *prior consent of McCaughan Dyson Capel Cure.*

REASONS FOR THE OFFERS

One of CSI's corporate objectives is to float successful operating companies as independently quoted business entities.
The Directors of Betacom and of CSI believe that Betacom has established sound management and financial skills and that, following the capital injection by CSI *referred to under "Financial Information" above, it is in a position* to operate successfully as a publicly listed company.
Direct access to The Stock Exchange will enable Betacom to continue to accelerate the development of its business through the ability to raise new capital and to use its *shares as consideration for acquisitions. A listing will also enhance public awareness* of Betacom's products as well as its standing with its suppliers and customers.
The Directors consider that flotation and the implementation of the Share Option Scheme and the ESOP will provide further incentives and motivation to employees and will help retain and attract high calibre management and staff.

PROSPECTS

The Group enjoys a prominent position in the market supplying domestic telephones in the UK. From this firm base the Directors believe that there are a number of factors which will provide opportunities for the continued growth of Betacom's business:
- ☎ the *market for domestic telephones will continue to expand as master and* extension telephone sockets are installed in more households
- ☎ Betacom with its fax machine available early in 1989 and a number of *other products in advanced stages of development*, is well-placed to exploit the demand for new and more sophisticated products as well as the anticipated *replacement* market for domestic telephones
- ☎ within Betacom's range there are products, such as the mini-switchboard system and the *newly* launched portable fax machine and copier, which have significant potential in *both* the business and domestic markets
- ☎ a growing demand in European *markets*, where deregulation and liberalisation are *increasing, and in other overseas markets which have* similar approval requirements to those in the UK for more modern and sophisticated telecommunication products

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The Group has laid the foundations for organic growth and the next stage in its development. A Stock Exchange listing will allow the Directors to make further strategic acquisitions to complement its existing business, although no specific acquisitions are in contemplation.

The prospects for the current year are encouraging and the Directors view the future with confidence.

PART II

TURNOVER AND PROFIT FORECASTS

BASES AND ASSUMPTIONS UNDERLYING THE TURNOVER AND PROFIT FORECASTS

The turnover and profit forecasts for the year ending 31st December, 1988 have been made on the basis of the audited interim consolidated accounts of the Group for the nine months ended 30th September, 1988 and the unaudited management accounts of the Group for the 4 weeks ended 31st October, 1988, and the principal assumptions set out below:

(i) there will be no change in UK legislation or regulations or any action by UK or overseas regulatory authorities which will have a material effect on the business of the Group; and

(ii) there will be no industrial disputes which materially affect the Group.

LETTERS RELATING TO THE TURNOVER AND PROFIT FORECASTS

The following letters relate to the turnover and profit forecasts for the year ending 31st December, 1988:

Letter from Peat Marwick McLintock

The Directors, Betacom Plc
The Directors, McCaughan Dyson Capel Cure (UK) Limited

22nd November, 1988

Gentlemen,

We have reviewed the accounting policies and calculations for the turnover and profit forecasts of Betacom Plc ("the Company") and its subsidiaries (together referred to as "the Group"), for which the directors of the Company ("the Directors") are solely responsible, for the year ending 31st December, 1988 set out in the listing particulars dated 22nd November, 1988 relating to the Company.

The turnover and profit forecasts include the results shown by the audited interim accounts for the nine months ended 30th September, 1988, and those shown by the unaudited management accounts for the four weeks ended 31st October, 1988.

In our opinion, the turnover and profit forecasts, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors, of which the principal ones are set out in Part II of the listing particulars dated 22nd November, 1988 relating to the Company and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,

Peat Marwick McLintock
Chartered Accountants

Letter from McCaughan Dyson Capel Cure (UK) Limited

The Directors,
Betacom Plc,
Unit 12,
Ponders End Industrial Estate,
Duck Lees Lane,
Enfield,
Middlesex EN3 7TQ.

22nd November, 1988

Gentlemen,

We refer to the turnover and profit forecasts of Betacom Plc and its subsidiaries for the year ending 31st December, 1988. We have discussed the forecasts, together with the bases and assumptions upon which the forecasts have been made, with officials of the Company and with Peat Marwick McLintock. We have also considered the letter dated 22nd November, 1988 addressed to yourselves and ourselves by Peat Marwick McLintock, regarding the accounting policies and calculations underlying the forecasts.

On the basis of the foregoing, we consider that the forecasts, for which you, as Directors, are solely responsible, have been made after due and careful enquiry.

Yours faithfully,
J F Gregory
Director
for and on behalf of
McCaughan Dyson Capel Cure (UK) Limited

PART III

ACCOUNTANTS' REPORT

The following is the text of a report received from Peat Marwick McLintock, Chartered Accountants, the auditors of Betacom and reporting accountants.

The Directors,
Betacom Plc,
Unit 12,
Ponders End Industrial Estate,
Duck Lees Lane,
Enfield,
Middlesex EN3 7TQ.

KPMG Peat Marwick McLintock
Peat Marwick McLintock,
1 Puddle Dock,
Blackfriars,
London EC4V 3PD.

The Directors,
McCaughan Dyson Capel Cure (UK) Limited,
65 Holborn Viaduct,
London EC1A 2EU.

22nd November, 1988

Gentlemen,

We have examined the audited accounts of Betacom Plc ("the Company") and of its subsidiaries for the five financial periods ended 31st December, 1987 and the nine months ended 30th September, 1988. Our examination has been carried out in accordance with the Auditing Guideline: Prospectuses and the Reporting Accountant.

The Company and its subsidiaries are collectively referred to as "the Group". Arram Berlyn Gardner & Co., Chartered Accountants, have been auditors of the Group up to and including the period ended 31st December, 1987. Peat Marwick McLintock were auditors for the period ended 30th September, 1988. No audited accounts of the Company or any of its subsidiaries have been made up in respect of any period subsequent to 30th September, 1988.

The reports of the auditors in respect of the accounts of the Company for three financial periods ended 30th November, 1985 contain qualifications. The qualifications related to the fact that, in common with many businesses of similar size and organisation, the Company's system of control was dependent on the close involvement of the Directors and that where independent confirmation of the completeness of the accounts was not available the auditors accepted assurances from the Directors that all the transactions throughout the financial periods concerned were reflected in the Company's records. We have carried out such additional work as we considered necessary to enable us to give an unqualified opinion on the financial information set out below.

The summarised historical cost profit and loss accounts, balance sheets and source and application of funds statements set out below are based on the audited accounts after making such adjustments as we consider appropriate.

In our opinion, the financial information set out below together with the notes thereon gives a true and fair view of the profits and loss and source and application of funds of the Group for the periods stated and of the state of affairs of the Group at the dates stated.

1. Accounting policies

The principal accounting policies of the Group which have been applied in the following summaries consistently throughout the period under review are:

(a) The accounts are prepared in accordance with the historical cost convention.

(b) Turnover comprises invoiced sales and services less returns and VAT.

(c) (i) Fixed assets are capitalised at cost;

(ii) Short leasehold premises and improvements are amortised over the period of the lease; and

(iii) Other tangible fixed assets are depreciated over their estimated useful lives, as follows:

	Rate p.a.	Method
Freehold buildings	3.33%	straight line
Plant and machinery	33.33%	reducing balance
Fixtures, fittings, office equipment and motor vehicles	25%	reducing balance

(d) Stock is stated at the lower of cost and net realisable value.

(e) Deferred taxation is provided where it is considered probable that a liability will crystallise.

(f) The profits of the Group comprise the results of the Company and its subsidiaries up to 30th September, 1988 and include, from the date of acquisition, the results of subsidiaries acquired during the period.

Goodwill arising on consolidation, which is the excess of the fair value of the consideration paid over the fair value of the net tangible assets acquired, is written off directly to reserves. Assets of companies acquired are incorporated in the consolidated accounts at their fair value to the Group.

(g) The accounts of the overseas subsidiary have been translated as follows:

(i) Revenue items are translated at the period end exchange rate. The exchange difference on translation of the retained profits at the closing rate is transferred to reserves; and

(ii) Assets and liabilities are translated at the rate of exchange ruling at the balance sheet date.

(h) Research expenditure is written off in the year of expenditure. Development expenditure incurred on specific projects is carried forward when its recoverability can be foreseen with reasonable assurance and amortised in relation to the sales from such projects. The Directors consider this treatment results in proper matching of costs and revenue. All other development costs are written off in the year of expenditure.

(i) Assets purchased under finance leases and hire purchase have been capitalised and are depreciated in accordance with the Group's depreciation policy. The capital element of future payments is included in the balance sheet as obligations under finance leases and hire purchase.

2. Consolidated profit and loss accounts

The summarised consolidated profit and loss accounts of the Group for the last six financial periods are as follows:

	Note	Year ended 30th Sept. 1983 £'000	Fourteen months ended 30th Nov. 1984 £'000	Years ended 30th Nov. 1985 £'000	1986 £'000	Thirteen months ended 31st Dec. 1987 £'000	Nine months ended 30th Sept. 1988 £'000
Turnover	5.1	1,856	3,317	3,979	5,793	13,355	12,171
Cost of sales		(1,485)	(2,711)	(3,080)	(4,367)	(9,670)	(8,999)
Gross profit		371	606	899	1,426	3,685	3,172
Administrative expenses		(329)	(361)	(551)	(647)	(1,107)	(1,134)
Other operating income		3	31	1	—	—	—
Profit/(loss) arising on investments		—	(45)	13	—	15	—
Interest payable and similar charges		(12)	(24)	(59)	(135)	(267)	(248)
Profit on ordinary activities before directors' exceptional remuneration		33	207	303	644	2,326	1,790
Directors' exceptional remuneration	5.2	(68)	(83)	(102)	(25)	—	—
Profit/(loss) on ordinary activities before taxation	5.2	(35)	124	201	619	2,326	1,790
Taxation on profit/(loss) on ordinary activities	5.3	—	(1)	(73)	(250)	(795)	(628)
Profit/(loss) on ordinary activities after taxation		(35)	123	128	369	1,531	1,162
Dividends		—	—	—	—	(690)	(300)
Retained profit/(deficit) for the financial period		(35)	123	128	369	841	862
Earnings per share (pence)	5.4	(0.16)	0.56	0.59	1.69	7.01	5.32

3. Balance sheets

The summarised balance sheets of the Group are as follows:

	Note	30th Sept. 1983 £'000	Fourteen months ended 30th Nov. 1984 £'000	Years ended 30th Nov. 1985 £'000	1986 £'000	31st Dec. 1987 £'000	30th Sept. 1988 £'000
Employment of capital							
Fixed assets:							
Tangible assets	5.5(a)	36	55	61	104	188	707
Intangible assets	5.5(b)	—	—	—	37	129	180
Investments		—	75	75	203	—	—
		36	130	136	344	317	887
Current assets:							
Stocks	5.6(a)	298	726	663	1,353	3,638	3,710
Debtors	5.6(b)	487	957	1,188	1,991	4,380	4,930
Investments		31	8	1	—	—	—
Cash at bank and in hand		3	23	140	166	190	317
		819	1,714	1,992	3,510	8,208	8,957
Creditors: amounts falling due within one year	5.7(a)	(319)	(1,185)	(1,347)	(2,690)	(6,514)	(6,899)
Net current assets		500	529	645	820	1,694	2,058
Total assets less current liabilities		536	659	781	1,164	2,011	2,945
Creditors: amounts falling due after more than one year	5.7(b)	—	—	—	—	—	(81)
Provisions for liabilities and charges	5.8	—	—	—	(13)	(45)	(68)
Net assets		536	659	781	1,151	1,966	2,796
Capital employed							
Called up share capital	5.9	2	202	202	202	202	202
Profit and loss account	5.11	534	457	579	949	1,764	2,594
		536	659	781	1,151	1,966	2,796

4. Consolidated source and application of funds

The summarised consolidated source and application of funds of the Group for the last six financial periods are as follows:

	Year ended 30th Sept. 1983 £'000	Fourteen months ended 30th Nov. 1984 £'000	Years ended 30th Nov. 1985 £'000	1986 £'000	Thirteen months ended 31st Dec. 1987 £'000	Nine months ended 30th Sept. 1988 £'000
Source of funds						
Profit/(loss) on ordinary activities before taxation	(35)	124	201	619	2,326	1,790
Adjustment for items not involving the movement of funds:						
Depreciation and amortisation	12	17	20	26	50	95
Foreign currency translation	—	—	(6)	1	(26)	(4)
(Profit)/loss on sale of fixed assets and investments	—	27	—	(18)	(4)	(12)
Funds generated from operations	(23)	168	215	628	2,346	1,869
Funds from other sources:						
Sale of tangible fixed assets	—	16	—	41	28	53
Sale of investments	—	—	—	—	216	—
Total inflow of funds	(23)	184	215	669	2,592	1,922
Application of funds						
*Purchase of subsidiary company**	—	—	—	—	—	(231)
Dividends paid	—	—	—	—	—	(990)
Tax paid	—	—	—	(15)	(104)	(166)
Purchase of tangible fixed assets	—	(124)	(25)	(221)	(155)	(351)
Purchase of intangible fixed assets	—	—	—	—	(109)	(97)
Increase/(decrease) in working capital	(23)	60	190	433	2,224	87

	Year ended 30th Sept. 1983 £'000	Fourteen months ended 30th Nov. 1984 £'000	Years ended 30th Nov. 1985 £'000	1986 £'000	Thirteen months ended 31st Dec. 1987 £'000	Nine months ended 30th Sept. 1988 £'000
Components of increase/(decrease) in working capital						
Stocks	(84)	457	(63)	690	2,286	51
Debtors	(294)	484	231	840	2,389	459
Investments	31	(23)	(7)	(1)	—	—
Creditors	286	(936)	480	(474)	(2,842)	(217)
	(81)	(18)	641	1,055	1,833	293
Movement in net liquid funds						
Cash at bank and in hand	3	23	117	26	24	127
Bank overdraft	35	55	(568)	(648)	367	(333)
	(23)	60	190	433	2,224	87

* Analysis of the acquisition of Global Telecommunication Laboratories Limited:

Net assets acquired:	£'000	Discharged by:	£'000
Fixed assets	258	Cash paid	231
Goodwill	28		
Stocks	21		
Debtors	91		
Creditors	(187)		
	231		231

5. Notes to the accounts

5.1 Turnover

During the periods under review, there were no significant overseas sales.

5.2 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging the following:

	1983 £'000	1984 £'000	1985 £'000	1986 £'000	1987 £'000	1988 £'000
Directors' remuneration						
— normal	41	44	47	50	105	99
— exceptional	68	83	102	25	—	—
Depreciation and amortisation	12	17	20	26	50	95
Auditors' remuneration	6	6	8	13	18	16
Research and development	—	13	21	14	35	64

Normal Directors' remuneration represents the amount agreed to be charged in the financial year subsequent to 30th November, 1986 adjusted backwards throughout the four financial periods by reference to the retail price index. Exceptional Directors' remuneration represents the balance charged in the accounts for the relevant period.

5.3 Taxation

The taxation charge is made up as follows:

	1983 £'000	1984 £'000	1985 £'000	1986 £'000	1987 £'000	1988 £'000
UK corporation tax	—	1	73	237	763	605
Deferred tax	—	—	—	13	32	23
	—	1	73	250	795	628

5.4 Earnings per share

The calculation of earnings per share for all financial periods has been based on the 2,020,000 ordinary shares of 10p each in issue immediately prior to the allotment to Cannon Street Investments P.L.C. on 25th October, 1988 of 29,000,000 ordinary shares of 10p each for a consideration of 27½p per share (payable on the earlier of listing becoming effective and 31st December 1988), as adjusted to take account of the bonus element inherent in the issue of the 29,000,000 shares and on the profit/(loss) on ordinary activities after tax.

5.5 Fixed assets

Fixed assets at 30th September, 1988 for the Group comprise the following:

(a) **Tangible assets**

	Freehold property £'000	Short leasehold property and improvements £'000	Motor vehicles £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost					
Brought forward at 1st January, 1988	—	42	97	99	238
Additions	—	84	175	92	351
On acquisition of subsidiary	196	—	37	118	351
Disposals	—	—	(67)	—	(67)
At 30th September, 1988	196	126	242	309	873
Depreciation					
Brought forward at 1st January, 1988	—	—	33	17	50
Charge for the period	—	3	22	24	49
On acquisition of subsidiary	—	—	13	80	93
Disposals	—	—	(26)	—	(26)
At 30th September, 1988	—	3	42	121	166
Net book value					
At 30th September, 1988	196	123	200	188	707
At 31st December, 1987	—	42	64	82	188

(b) **Intangible assets**

Research & Development costs:

	£'000
Cost	
Brought forward at 1st January, 1988	147
Additions	97
At 30th September, 1988	244
Amortisation	
Brought forward at 1st January, 1988	18
Charge for the period	46
At 30th September, 1988	64
Net book value	
At 30th September, 1988	180
At 31st December, 1987	129

5.6 Current assets

	31st Dec. 1987 £'000	30th Sept. 1988 £'000
(a) Stocks:		
Finished goods and goods for resale	3,638	3,691
Work in progress	—	19
	3,638	3,710
(b) Debtors:		
Trade debtors	4,259	4,848
Prepayments and accrued income	82	59
Other debtors	39	23
	4,380	4,930

5.7 Creditors

(a) Creditors: amounts falling due within one year:

	31st Dec. 1987 £'000	30th Sept. 1988 £'000
Bank loans and overdrafts (secured)	849	1,212
Obligations under finance leases and hire purchase	—	8
Trade creditors	3,647	3,074
Amounts due to holding company	12	1,002
Other creditors	254	94
Corporation tax	955	1,404
Other taxes and social security	20	57
Accruals and deferred income	87	48
Dividends payable	690	—
	6,514	6,899

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Bank loans are secured by certain freehold property. Overdrafts are secured by a fixed and floating charge over the Company's assets.

(b) Creditors: amounts falling due after more than one year:

	31st Dec. 1987 £'000	30th Sept. 1988 £'000
Bank loans (secured)	–	71
Obligations under finance leases and hire purchase	–	10
	–	81

Bank loans are secured by certain freehold property.

(c) Obligations under finance leases and hire purchase:

	30th Sept. 1988 £'000
Amounts payable within one year	12
Within two to five years	10
	22
Less interest allocated to future periods	(4)
	18

	£'000
These amounts have been analysed as follows:	
Amounts falling due within one year	8
Amounts falling due after more than one year	10
	18

5.8 Provisions for liabilities and charges

	£'000
Deferred taxation:	
Brought forward at 1st January, 1988	45
Charge for the period	23
At 30th September, 1988	68

	31st December 1987 £'000	30th September 1988 £'000
The full potential liability for deferred tax is as follows:		
Short term timing differences	45	63
Accelerated capital allowances	–	5
	45	68

5.9 Called up share capital

The Company's authorised and issued share capital at 30th September, 1988 was:

	Authorised £	Allotted, issued and fully paid £
Ordinary shares of £1 each	2,000	2,000
Redeemable preference shares of £1 each	500,000	200,000

A re-organisation of the share capital structure and further issue of shares is explained in paragraph 5.14 below.

5.10 Principal subsidiaries

The Company's principal subsidiaries at 30th September, 1988 were:

Company	Nature of business	Country of Registration	Nominal value of shares in issue	Shares held class	percentage
Betacom International Limited	Distribution of electronic consumer goods	Hong Kong	HK$2.00	ordinary	100
Global Telecommunication Laboratories Limited	Design development and testing of telecommunication equipment	England	£27,100	ordinary	100
			£17,500	preference	100

5.11 Profit and loss account

The movements on the profit and loss account for the last six financial periods were:

	Year ended 30th Sept. 1983 £'000	Fourteen months ended 30th Nov. 1984 £'000	Years ended 30th Nov. 1985 £'000	Years ended 30th Nov. 1986 £'000	Thirteen months ended 31st Dec. 1987 £'000	Nine months ended 30th Sept. 1988 £'000
Opening balance	569	534	457	579	949	1,764
Retained profit/(deficit) for the financial period	(35)	123	128	369	841	862
Capitalisation of reserves	–	(200)	–	–	–	–
Goodwill written off	–	–	–	–	–	(28)
Foreign currency translation	–	–	(6)	1	(26)	(4)
Closing balance	534	457	579	949	1,764	2,594

5.12 Financial commitments

Capital commitments for which no provision has been made in these accounts were as follows:

	31st Dec. 1987 £000	30th Sept. 1988 £000
Contracted	70	–
Authorised but not contracted	20	40

5.13 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the last three financial periods ended 30th September, 1988, analysed by category, was as follows:

	1986	1987	1988
Administration	4	7	25
Selling and warehouse	11	15	23
	15	22	48

The aggregate payroll costs of these persons were as follows:

	1986 £'000	1987 £'000	1988 £'000
Wages and salaries	157	349	331
Social security costs	17	30	33
Other pension costs	20	–	–
	194	379	364

5.14 Post balance sheet events

By special resolutions of the Company passed on 25th October, 1988:

(i) each of the ordinary shares of £1 was sub-divided into 10 ordinary shares of 10p each;

(ii) each of the 500,000 issued and unissued redeemable preference shares of £1 was converted and sub-divided into 10 ordinary shares of 10p each;

(iii) the authorised share capital of the Company was increased to £3,102,000 by the creation of 26,000,000 additional ordinary shares of 10p each;

(iv) the Directors of the Company were authorised and empowered to allot 29,000,000 Ordinary Shares by way of a rights issue.

On 25th October, 1988 29,000,000 ordinary shares of 10p each were allotted by resolution of the Board of Directors of Betacom to Cannon Street Investments PLC. and its nominee by way of rights at a price of 27½p per share to raise £7,975,000 on terms that the subscription moneys will be paid in full upon the earlier of the date admission of the Company's ordinary shares to the Official List of the Stock Exchange becomes effective and 31st December, 1988.

By special resolution of the Company passed on 21st November, 1988 the authorised share capital of the company was increased to £3,870,000 by the creation of 768,000 additional ordinary shares of 10p each.

The following share options have been granted under the Company's 1988 Executive Share Option Scheme:

	Number of Ordinary shares of 10p each
Directors	1,120,000
Other employees	120,000

The options were granted on 26th October, 1988 and 11th November, 1988 and will be exercisable at a price of 60p per share at any time after the third anniversary of the date of grant, subject to the rules of the Scheme.

In addition, under the rules of the ESOP option to purchase, 280,000 and 30,000 ordinary shares of 10p each have been granted to the Directors and other employees respectively at the flotation price of 82p per ordinary share, conditional upon the flotation.

5.15 Ultimate holding company

The Company's ultimate holding company is Cannon Street Investments PLC., a company incorporated in England.

Yours faithfully,
Peat Marwick McLintock
Chartered Accountants

PART IV

PRO-FORMA BALANCE SHEET

Set out below, for the purposes of illustration, is a pro-forma balance sheet of the Group which has been prepared on the basis of the audited consolidated balance sheet as at 30th September, 1988, adjusted to take account of the issue by the Company of a total of 29,000,000 new Ordinary Shares to raise £7,975,000 payable as referred to in paragraph 2(F) of Part V below and the repayment of bank borrowings of £1,283,000 and indebtedness to CSI of £1,002,000.

	At 30th Sept. 1988 £'000	Adjustments £'000	Pro-forma £'000
Employment of capital			
Fixed assets	887	–	887
Current assets			
Stocks	3,710	–	3,710
Debtors	4,930	–	4,930
Cash at bank and in hand	317	5,690	6,007
	8,957	5,690	14,647
Creditors due within one year	(6,899)	2,214	(4,685)
Net current assets	2,058	7,904	9,962
Total assets less current liabilities	2,945	7,904	10,849
Creditors due after more than one year	(81)	71	(10)
Provisions for liabilities and charges	(68)	–	(68)
Net assets	2,796	7,975	10,771
Capital and reserves			
Called up share capital	202	2,900	3,102
Share premium account	–	5,075	5,075
Profit and loss account	2,594	–	2,594
	2,796	7,975	10,771

PART V

STATUTORY AND GENERAL INFORMATION

1. INCORPORATION

The Company was incorporated in England on 2nd June, 1969 as a private limited company under the Companies Acts 1948 to 1967 with the name Striclight Limited. On 15th August, 1969 the name of the Company was changed to D M Baylin Trading Co. Limited, on 8th January, 1987 to Betacom Products Limited and on 10th June, 1987 to Betacom Limited. On 17th November, 1988 the Company was re-registered as a public limited company under the Companies Act 1985.

2. SHARE CAPITAL

(A) The Company was incorporated with an authorised share capital of £100 divided into 100 ordinary shares of £1 each, two of which were issued for cash at par upon incorporation.

(B) On 1st August, 1969 the authorised share capital of the Company was increased to £2,000 and a further 1,998 ordinary shares of £1 each were issued for cash at par.

(C) On 16th July, 1984 the authorised share capital of the Company was increased to £502,000 by the creation of 500,000 redeemable preference shares of £1 each.

(D) On 14th August, 1984 200,000 redeemable preference shares of £1 each were issued by way of a capitalisation issue at a rate of 100 redeemable preference shares of £1 each for every one ordinary share of £1 then held.

(E) By special resolutions of the Company passed on 25th October, 1988:

(i) each of the ordinary shares of £1 each was sub-divided into 10 ordinary shares of 10p each;

(ii) each of the 500,000 issued and unissued redeemable preference shares of £1 each was converted and sub-divided into 10 ordinary shares of 10p each;

(iii) the authorised share capital of the Company was increased to £3,102,000 by the creation of 26,000,000 additional ordinary shares of 10p each;

(iv) the Directors of the Company were authorised and empowered to allot 29,000,000 Ordinary Shares by way of a rights issue.

(F) On 25th October, 1988 29,000,000 Ordinary Shares were allotted by resolution of the Directors to CSI and its nominee by way of rights at a price of 27½p per share to raise £7,975,000. CSI has undertaken to pay the subscription moneys in full upon the earlier of the date admission of the Ordinary Shares to the Official List of The Stock Exchange becomes effective ("Admission") and 31st December, 1988.

(G) By special resolutions of the Company passed on 21st November, 1988:

(i) the authorised share capital of the Company was increased to £3,870,000 by the creation of 7,680,000 additional Ordinary Shares;

(ii) the Directors were authorised generally and unconditionally pursuant to and in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that Section) of the Company up to an aggregate nominal amount of £768,000 provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1989 save that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred thereby had not expired; and

(iii) the Directors were empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority conferred by sub-paragraph (ii) above as if Section 89(1) of the Act did not apply to any such allotment provided that such power is limited:

(a) to the allotment of equity securities in connection with an offer by way of rights to ordinary shareholders where the equity securities are attributable to the respective numbers of Ordinary Shares held by them, subject to such exclusions or other arrangements as the Directors may deem fit to deal with fractional entitlements or problems arising under the laws of any overseas territory or the requirements of any regulatory authority or any stock exchange; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £155,100

and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1989 save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred thereby had not expired.

(H) At the date of this document the issued or allotted share capital of the Company is £3,102,000 divided into 31,020,000 Ordinary Shares all of which are beneficially owned by CSI. 7,680,000 Ordinary Shares remain unissued, representing 19.8 per cent. of the total authorised share capital of the Company.

(I) Save as set out above, there has been no issue of shares or loan capital of the Company or of any of its subsidiaries (other than intra-group issues by wholly-owned subsidiaries and pro rata issues by partly-owned subsidiaries) since 22nd November, 1985 and no such issues are proposed.

(J) Save as disclosed herein, no Ordinary Share capital or loan capital of the Company or of any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(K) Save as disclosed herein, no material issue of shares (other than to shareholders pro rata to existing holdings or pursuant to the Share Option Scheme) will be made by the Company within one year of the date hereof without the prior approval of shareholders in general meeting.

(L) Save as disclosed herein, since 22nd November, 1985, no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share or loan capital of the Company or of any of its subsidiaries.

(M) Save as disclosed in paragraph (G) above, the provisions of Section 89 of the Act (which, to the extent not disapplied, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued Ordinary Shares. Save as aforesaid, no pre-emption rights apply in respect of issues of Ordinary Shares.

3. PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company, both of which are wholly-owned and are private limited companies, are as follows:—

Name and Registered Office	Activity	Country and Date of Incorporation	Issued and fully paid share capital
Betacom International Limited, 8/F Haleson Building, No. 1 Jubilee Street, Central, Hong Kong	Distribution of electronic consumer goods	Hong Kong, 23rd October, 1984	HK$2
Global Telecommunication Laboratories Limited, 42 Hill Street, Kingswood, Bristol BS15 4ES	Design, development and testing of telecommunication equipment	England, 14th June, 1980	£44,600

4. DIRECTORS' SERVICE AGREEMENTS

(A) The following are particulars of service agreements entered into between the Company and the Executive Directors:

Director	Basic Annual Salary
D M Baylin	£100,000
B M Korel	£35,000
P R Thorndyke	£25,000
N P Salomon	£25,000
S P Birch	£37,500

Mr. D M Baylin's service agreement provides for the payment of a bonus based on the growth in the earnings per Ordinary Share of the Company. In respect of any financial year of the Company the amount of the bonus shall be an amount equal to Mr. Baylin's salary for such financial year multiplied by the percentage growth in the Company's earnings per Ordinary Share over the preceding financial year and multiplied by an agreed multiple. The latter multiple will depend on the earnings per Ordinary Share growth, as follows:

Earnings per share growth	Multiple
0% – 9.99%	Nil
10% – 11.99%	1.50
12% – 13.99%	1.55

Thereafter, for every 2% of earnings per share growth, the multiple will increase by 0.05, subject to a maximum multiple of 2.25 for earnings per share growth of 40% and above.

The amount of the bonus will be determined by the auditors of the Company on the basis of the audited consolidated accounts of the Group and will be paid within 30 days of the date of such determination.

Mr. P R Thorndyke is also entitled to a bonus relating to sales subject to a maximum of £8,000 per annum.

All the above service agreements (other than S P Birch's) are conditional upon Admission. Subject thereto, each service agreement is for a minimum period of three years from the date of Admission (save for S P Birch's which is for five years from 26th August, 1988) and is subject to termination on or at any time after expiry of the minimum period by, in the case of Mr. D M Baylin and Mr. S P Birch, twelve months' prior written notice and, in the case of Messrs Korel, Thorndyke and Salomon, six months' prior written notice, by either party thereto.

(B) Save as referred to above, there are no existing or proposed service agreements between any of the Directors and any member of the Group.

(C) The aggregate of the remuneration paid and the benefits in kind granted to the Directors by any member of the Group during the financial period ended 31st December, 1987 was £104,584. It is estimated that the aggregate of the amounts payable to the Directors in the current financial year under arrangements in force at the date of this document (including salary, bonus and benefits under the service agreements described in sub-paragraph (A) above) will be approximately £233,000.

5. DIRECTORS' AND OTHER INTERESTS

(A) (i) The interests of the Directors in the share capital of the Company, all of which are or will be beneficial, as required to be disclosed in the register maintained pursuant to Section 325 of the Companies Act 1985 immediately following the Offers (including those Ordinary Shares for which the Directors propose to apply under the Offers) are as follows:

Name	Ordinary Shares Number	Options over Ordinary Shares
D M Baylin	1,000	1,000,000
B M Korel	600	100,000
P R Thorndyke	600	100,000
N P Salomon	500	100,000
S P Birch	12,000	100,000
I D Pratt	1,000	–

The options over Ordinary Shares include those granted under the Share Option Scheme on 26th October, 1988 and 11th November, 1988 which will be exercisable at a price of 60p per share at any time after the third anniversary of the date of grant, subject to the rules of the Share Option Scheme. In addition, the options over Ordinary Shares include options granted to the Directors on 21st November, 1988 to purchase Ordinary Shares at the Offer Price subject to the rules of the ESOP at any time after the third anniversary of the date of grant.

(ii) The executive Directors are beneficiaries under the ESOP Trust described in paragraph 9 of this Part V, which is interested in 5 per cent of the issued share capital of the Company.

(iii) Save as referred to in sub-paragraph (i) above, no Director has any interest in the share capital of the Company or of any of its subsidiaries other than shares held as nominee for other members of the Group.

(B) Following the Offers, CSI will hold 9,302,898 Ordinary Shares representing 29.99 per cent. of the issued share capital of the Company.

(C) Save as disclosed in paragraphs 5(A) and 5(B) above, the Directors are not aware of any interest (direct or indirect) in the Company, which following the Offers will represent 5 per cent. or more of the issued share capital of the Company.

(D) There are no outstanding loans granted by any member of the Group to the Directors nor any guarantees provided by any member of the Group for the benefit of the Directors.

(E) Mr. D M Baylin owns 47.5 per cent. of the issued share capital of B&B Technical Developments Limited ("B&B"). B&B carries on the business of consultancy and technical development of electronic products. It was incorporated in August 1986 and has been engaged in a minimal degree of trading to date. During 1988 it undertook some development work for Betacom for which it made a charge of £5000. Any future business with Betacom will also be carried on on at an arm's length basis.

(F) As its principal shareholder, Mr. S P Birch was interested in the sale of Global to the Company in August 1988, further details of which are set out in paragraph 11(A) of this Part V.

(G) Save as disclosed herein, no Director is interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Company during the current or immediately preceding financial year or was effected by the Company during an earlier financial year and remains in any respect outstanding or unperformed.

6. FURTHER DETAILS OF THE OFFERS

(A) UNDERWRITING

(i) By an agreement (the "Underwriting Agreement") dated 22nd November, 1988 between CSI (1), the Company (2), the Directors (3) and McCaughan Dyson Capel Cure (4) McCaughan Dyson Capel Cure has agreed, conditionally, *inter alia*, upon Admission, to purchase or procure purchasers for those Ordinary Shares not taken up under the Offers at the Offer Price. The Agreement provides for CSI to pay to McCaughan Dyson Capel Cure a fee of £130,000 (plus VAT thereon) and an underwriting commission amounting to 1¾% of the aggregate Offer Price of the Ordinary Shares offered under the Offers (plus VAT thereon). Out of this commission McCaughan Dyson Capel Cure will pay commissions to sub-underwriters.

(ii) Under the Underwriting Agreement CSI and the Company have jointly and severally given certain warranties and indemnities to McCaughan Dyson Capel Cure. Additionally under the Underwriting Agreement, the Executive Directors of the Company have given certain warranties to McCaughan Dyson Capel Cure.

(iii) By a separate agreement (the "Liability Sharing Agreement") dated 22nd November, 1988 between CSI (1), the Company (2) and the Directors (3) CSI and the Company have agreed that, in the event of certain liabilities of CSI and the Company arising in connection with the Offers and this document, such liabilities will be borne and shared by CSI and the Company in the proportions of 67% and 33% respectively and CSI and the Company have agreed to indemnify the Directors against certain liabilities in connection with the Offers and this document but a Director will not benefit thereunder in the case of recklessness, negligence, wilful default or bad faith.

(iv) CSI and the Directors have undertaken to McCaughan Dyson Capel Cure not to dispose of or agree to dispose of any Ordinary Shares at any time prior to the preliminary announcement of the results of the Company for the financial period ending 31st December, 1989 without, in the case of CSI, the prior written consent of McCaughan Dyson Capel Cure (such consent not be unreasonably withheld) and, in the case of the Directors, prior consultation with McCaughan Dyson Capel Cure. CSI has further undertaken to McCaughan Dyson Capel Cure that, without the prior consent of The Stock Exchange, it will not (and will procure that its subsidiaries will not) be or become entitled to control 30% or more of the voting power at general meetings of the Company or the composition of a majority of the Board of Directors.

(v) CSI has agreed to pay the costs of the Offers (plus VAT thereon), including all printing, advertising, distribution and publication costs, Stock Exchange fees, accountancy, legal and other professional fees and expenses of the Offers (including the legal fees of McCaughan Dyson Capel Cure) and the stamp duty or stamp duty reserve tax payable on acceptances of Ordinary Shares under the Offers.

(vi) Under the Underwriting Agreement, CSI has confirmed its irrevocable obligation to pay to the Company the subscription monies of £7,975,000 at the time referred to in paragraph 2(F) of this Part V.

(vii) The Underwriting Agreement contains provisions which permit it to be terminated by McCaughan Dyson Capel Cure in certain circumstances prior to Admission.

(B) CSI SHAREHOLDERS

An eligible holder of ordinary shares in CSI who makes an application on the Shareholder Offer Priority Application Form will receive all of the Ordinary Shares for which application is made up to his pro rata entitlement save that CSI shareholders holding 1,050 or less CSI shares will receive an entitlement of 175 Ordinary Shares, being the minimum number of Ordinary Shares for which application may be accepted under the Shareholder Offer. The record date for determining the eligible holders to whom the Shareholder Offer is made is 18th November, 1988.

Each eligible holder of CSI shares is being sent a pink Shareholder Offer Priority Application Form in respect of his holdings of CSI ordinary shares. Eligible holders who apply for their pro rata entitlement in full may also apply for excess Ordinary Shares not taken up under the Shareholder Offer and such application should be made on Part B of the pink Shareholder Offer Priority Application Form. Insofar as there are insufficient Ordinary Shares available under the Shareholder Offer, applications for such excess Ordinary Shares will be treated as applications made under the Public Offer. An eligible CSI shareholder's entitlement under the pink Shareholder Offer Priority Application Form is personal to the eligible holder and is not transferable.

Eligible holders of CSI shares who complete pink Shareholder Offer Priority Application Forms should not make an application on a Public Application Form.

No offer of Ordinary Shares will be made to, and no application for such Ordinary Shares will be accepted from, any person located in (or who is resident in or a national of) the United States or any jurisdiction the laws of which would be thereby violated. For further details with regard to overseas shareholders of CSI see paragraph (D) below.

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(C) BETACOM EMPLOYEES

Up to 10 per cent. of the Ordinary Shares being offered under the Public Offer are reserved for priority applications from Eligible Employees. An employee of the Group is an "Eligible Employee" if at close of business on 30th September, 1988, he was a director or senior manager of any member of the Group or a full-time employee of any member of the Group (being a person working at least 25 hours per week) and, in either case, is still so employed or holds such office at the date of application. Each Eligible Employee will be permitted to make only one application on a yellow Employee Priority Application Form in accordance with the instructions thereon. Whatever the demand for Ordinary Shares, each Eligible Employee who makes a valid priority application will receive at least some of the Ordinary Shares for which application is made. In the event that excess applications are received from Eligible Employees, the basis of allocation among them will be determined by McCaughan Dyson Capel Cure after consultation with the Directors.

Each Eligible Employee is being sent a yellow Employee Priority Application Form. The entitlement is personal to the Eligible Employee and is not transferable. Eligible Employees who complete yellow Employee Priority Application Forms should not make an application on a Public Application Form.

(D) OVERSEAS TERRITORIES

Persons receiving a copy of this document or an application form in any territory other than the United Kingdom are referred to paragraphs 7 and 8 of Part VI below. In particular:-

(a) Application forms will not be sent to shareholders of CSI with registered addresses in Canada or the United States. For this purpose, "United States" means the United States of America, its territories, its possessions and other areas subject to its jurisdiction; and

(b) Holders of CSI shares in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlement.

7. MEMORANDUM AND ARTICLES OF ASSOCIATION

(A) The Memorandum of Association of the Company provides that the Company's principal objects are to act as a holding company and to carry on the business of designing, developing and marketing consumer electronic products, including telecommunication products, telephones and related equipment. The objects of the Company are set out in full in Clause 4 of its Memorandum of Association.

(B) The Articles of Association of the Company which were adopted on 10th November, 1988, contain inter alia provisions which have the following effect:-

(i) *Voting*

Subject to any rights or restrictions attached to any class of shares and to disenfranchisement of a member in the event of non-payment of any calls or other sums presently payable in respect of any shares or non-compliance with a notice requiring disclosure of any interest in shares, on a show of hands every member who (being an individual) is present at a general meeting in person or (being a corporation) is present by a duly authorised representative or proxy (not himself being a member) shall have one vote and on a poll every member present as aforesaid or by proxy shall have one vote for each share of which he is a holder.

(ii) *Variation of Rights*

Subject to the provisions of the Companies Act 1985, if at any time the share capital of the Company is divided into different classes of shares, the rights or privileges attached to any class may be varied in such manner (if any) provided in such rights, or with the consent in writing of the holders of at least three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the issued shares of that class but at any separate general meeting the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class and a poll may be demanded by any member present in person or by proxy and entitled to vote at the meeting.

(iii) *Alteration of Capital*

The Company may, by ordinary resolution, increase its share capital, consolidate or divide all or any of its shares into shares of a larger amount, sub-divide its shares or any of them into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person. The Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any manner authorised by law.

(iv) *Transfer of Shares*

The instrument of transfer of a share may be in any usual or common form, or in any other form which the Directors may approve and shall be executed by or on behalf of the transferor and, if not fully paid, by or on behalf of the transferee. The Directors may, in their absolute discretion and without assigning any reason therefor, refuse to register a transfer of any share that is not fully paid or of any transfer in favour of more than four persons jointly. The Directors may decline to recognise any instrument of transfer used in respect of more than one class of share.

(v) *Dividends*

(a) Subject to any rights or restrictions attached to any particular shares and to the provisions of the Companies Act 1985, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as if paid up in full or in part from a particular date, whether past or future, such share shall rank for dividend accordingly.

(b) All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Any dividend which remains unclaimed for a period of twelve years after having been declared shall be forfeited and shall revert to the Company. No dividend shall bear interest against the Company.

(vi) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures and other securities. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in relation to its subsidiaries so as to secure as regards subsidiaries (so far as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (as defined in the Articles) and for the time being owing to persons outside the Group shall not, without the previous sanction of an ordinary resolution, at any time exceed a sum equal to three times the adjusted share capital and reserves of the Company as defined in the Articles.

(vii) *Directors*

(a) *Remuneration*

The remuneration of the Directors by way of fees shall not (subject as provided in any contract) exceed £50,000 per annum or such larger sum as the Company in a general meeting may determine. The Directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in connection with the business of the Company.

Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration as the Directors may determine.

(b) *Retirement by Rotation*

At each Annual General Meeting of the Company one-third (or the nearest number to one-third) of the Directors who are subject to retirement by rotation for the time being shall retire from office and shall be eligible for re-election. However, no Director holding any office as Managing Director shall be subject to retirement by rotation or taken into account in determining the number of Directors to retire.

The Directors to retire in each year shall be any Director who wishes to retire and not offer himself for re-election together with those who have been longest in office since the last election, but as between persons who became Directors at the same time, those to retire shall (unless they otherwise agree amongst themselves) be determined by lot. Any Director appointed by the Directors shall hold office only until the next following Annual General Meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

(c) *Directors' Interests*

Subject to the provisions of the Companies Act 1985 and provided that he has disclosed to the Directors the nature and extent of his interest, a Director may, notwithstanding his office, be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and he shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

(d) *Restrictions on voting by Directors*

A Director shall be entitled to vote (and be counted in the quorum) on any resolution concerning:

- the giving of any security or indemnity to him in respect of any loan made or obligation assumed by the Director at the request of or for the benefit of the Group;
- the giving of any security or indemnity to a third party for which he has assumed responsibility;
- any proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiaries in which he is or is to be interested as a participant in the underwriting or sub-underwriting;
- any proposal concerning another company in which he is interested provided he (or a third company through which his interest is derived) is not the holder of or beneficially interested in more than one per cent. of any class of equity share capital or of the voting rights in such company;
- any proposal concerning the adoption, modification or operation of a superannuation fund or retirement scheme which relates to both employees and directors of the Company which does not accord to him any privileges or advantages not generally accorded to employees; and
- any proposal concerning share incentive schemes or any other fund or scheme concerning the acquisition of shares by employees under which he benefits in a similar manner to such employees.

Save as aforesaid, a Director shall not vote or be counted in the quorum on any meeting of the Directors or committee thereof on any resolution concerning a matter in which he has a material interest. A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested. The Company may, subject to the provisions of the Companies Act 1985, by ordinary resolution suspend or relax the provisions described in sub-paragraph (vii)(c) and this sub-paragraph (vii)(d) to any extent or ratify any transaction not duly authorised by reason of a contravention thereof.

(e) *Age limits*

The provisions of Section 293 of the Companies Act 1985, which relate to the appointment and continuation in office of directors who have attained the age of 70 in public limited companies or their subsidiaries, shall not apply to the Company.

(f) *Executive Directors*

The Directors may appoint any one or more of their body to be an Executive Director to hold such executive office (other than that of auditor) and to exercise such powers of the Directors (other than the power to make calls or forfeit shares) subject to such restrictions and generally on such terms (including as to tenure of office and remuneration) as the Directors shall think fit. An Executive Director so appointed shall not be subject to retirement by rotation as described in sub-paragraph (vii) (b) above and shall not be taken into account in determining the rotation or retirement of Directors.

(g) *Pensions and Gratuities*

The Directors may establish and maintain any pension or superannuation funds and otherwise provide benefits by way of donations, gratuities, pensions, allowances and emoluments for any Director or former Director of the Company (or any subsidiary or associated company or any predecessor in business to the Company or any such subsidiary or associated company) and the wife, widow, family and dependants of any such Director.

(viii) *Rights to Participate in a Winding Up*

If the Company is wound up then subject to any special rights attached to any shares issued at a future date, the holders of Ordinary Shares are entitled to share in any asset surplus proportionately to the number of Ordinary Shares held by them. With the sanction of an extraordinary resolution of the Company, a liquidator may divide among the members in specie the whole or any part of the assets of the Company.

(ix) *Untraced Shareholders*

The Company may sell at the best price reasonably obtainable any shares in the Company of a member who is untraceable if, during a period of 12 years at least 3 dividends in respect of the shares of any such member have become payable and no dividend during that period has been claimed and the Company gives notice in two daily newspapers of its intention to sell and also gives notice to The Stock Exchange accordingly.

(x) *Purchase of own shares*

Subject to the provisions of the Companies Act 1985 the Company may purchase its own shares (including any redeemable shares) provided that the purchase has been sanctioned by an extraordinary resolution passed at a separate class meeting of the holders of any class of convertible shares.

8. THE SHARE OPTION SCHEME

(A) General

The Share Option Scheme comprises two separate parts: Part A, which is intended to qualify for Inland Revenue approval under Section 185 and Schedule 9, Income and Corporation Taxes Act 1988; and Part B, which will not qualify for such approval.

(B) Eligibility

All employees and Directors of Betacom or its subsidiaries who are required to devote substantially the whole of their working time to the service of the Group will be eligible to be granted options under the Share Option Scheme at the invitation of the Directors.

(C) Grant of options

Options to acquire Ordinary Shares may be granted under the Share Option Scheme at any time during the periods six weeks from the date of approval of the Share Option Scheme by the Inland Revenue, six weeks beginning with the first dealing day upon which Ordinary Shares are listed on The Stock Exchange Daily Official List, or six weeks from the dealing day following the announcement by the Company of its annual or half-yearly results. No options will be granted after 29th September, 1998. Options will not be transferable. There will be no price payable for the grant of an option.

(D) Earnings per share growth

No options granted under the Share Option Scheme may be exercised unless a certain target for growth in earnings per share is achieved by the Company. Unless before the grant of the option the Directors determine otherwise, that target is that the Company must have achieved a growth in earnings per share over a period of three consecutive financial years during the lifetime of the option which exceeds the growth in the retail prices index over the same period (such an option being called an RPI option). If the Directors so determine before the grant of the option, then, instead of the above target, the target shall be that the Company must have achieved a growth in earnings per share over a period of five consecutive financial years during the lifetime of the option of not less than the growth in earnings per share over the same period achieved by more than three-quarters of the 100 companies which constitute the Financial Times-Stock Exchange 100 Index as at the end of that period and in relation to which it is practicable to determine the growth in earnings per share over the corresponding period (such an option being called a FT-SE 100 option).

(E) Limits

The Share Option Scheme is subject to the following limits:-

(i) the total number of Ordinary Shares which may be issued under the Share Option Scheme may not exceed ten per cent. of the Ordinary Share capital of the Company at present in issue, subject to adjustment as mentioned in paragraph (J) below;

(ii) the total number of new Ordinary Shares which may be made available in any ten-year period under RPI options granted under the Share Option Scheme or any other executive share option scheme adopted by the Company may not exceed five per cent. of the Ordinary Share capital of the Company in issue from time to time;

(iii) the total number of new Ordinary Shares which may be made available in any three-year period under the Share Option Scheme and any other employees' share option scheme adopted by the Company may not exceed ten per cent. of the Ordinary Share capital of the Company in issue from time to time or four per cent. during the period ending three years after the first dealing day upon which Ordinary Shares are listed in The Stock Exchange Daily Official List;

(iv) the total number of new Ordinary Shares which may be made available in any ten-year period under the Share Option Scheme and any other employees' share scheme adopted by the Company may not exceed ten per cent. of the Ordinary Share capital of the Company in issue from time to time;

(v) the total subscription price payable for new Ordinary Shares under RPI options granted to any one employee or Director under the Share Option Scheme and any other executive share option scheme adopted by the Company may not in any ten-year period exceed four times the higher of his rate of annual remuneration and his actual remuneration for the last 12 months as at the date of grant of any RPI option;

(vi) the total subscription price payable for new Ordinary Shares under any options granted to any one employee or Director under the Share Option Scheme and any other executive share option scheme adopted by the Company may not in any ten-year period exceed eight times the higher of his rate of annual remuneration and his annual remuneration for the last 12 months as at the date of any option.

(F) Price of Ordinary Shares

The price payable for each Ordinary Share under an option will be determined by the Directors, but in the case of an option granted at a time when Ordinary Shares have been admitted to The Stock Exchange Official List, will not be less than the middle market quotation of an ordinary share as derived from The Stock Exchange Daily Official List on the first dealing day which falls within the period of ten days ending with the date on which the option is granted and, in the case of an option granted at any other time, will not be less than the market value of a share as agreed in advance with the Shares Valuation Division of the Inland Revenue, and in any event will not be less than the nominal value of an ordinary share.

(G) Exercise of options

Any option granted under the Share Option Scheme may not normally be exercised earlier than three years after its grant, save where it is necessary for the option to be exercisable earlier in order for an overseas employee to obtain a less onerous tax treatment and may not in any event be exercised more than ten years after its grant. However, if an option holder dies while in the employment of the Group, his personal representatives may (and must if at all) exercise his option during the following twelve months. Early exercise of an option is also allowed if an option holder ceases to be employed by the Group by reason of injury, disability, redundancy or retirement.

If an option holder ceases to be employed by the Group for any other reason, his option may not be exercised at all unless the Directors so permit. Special provisions apply in the exceptional circumstances of a take-over, reconstruction or winding-up of the Company and such provisions may permit the early exercise of options. In the case of a winding-up, for example, options will be exercisable for one month and will then lapse.

(H) Cash equivalent

When an option granted under Part B of the Share Option Scheme is exercised the Directors may pay the option holder a cash bonus equivalent to the amount by which the market value of the shares subject to the option exceeds the price payable under the option. Such a cash bonus will be paid in lieu of the issue or transfer of shares to the option holder.

(I) Rights attaching to Ordinary Shares

All Ordinary Shares allotted under the Share Option Scheme will rank pari passu in all respects with the Ordinary Shares for the time being in issue save as regards any rights attaching to them by reference to a record date prior to the date of allotment. Application will be made to the Council of The Stock Exchange for admission to the Official List of shares allotted under the Share Option Scheme at a time when Ordinary Shares are so listed.

(J) Variation of capital

In the event of certain increases or variations of the share capital of the Company (namely upon a capitalisation or rights issue, sub-division, consolidation or reduction), the Directors may make such adjustments as they consider appropriate to the total number of Ordinary Shares subject to the Share Option Scheme as mentioned in paragraph (E)(i) above and to the number of Ordinary Shares subject to any option, or the price payable for Ordinary Shares under any option. Any such adjustments in respect of options granted under Part A of the Share Option Scheme will be subject to the prior approval of the Inland Revenue. Except in the case of a capitalisation issue, any such adjustment must be confirmed in writing by the auditors of the Company to be in their opinion fair and reasonable.

(K) Alterations

The Directors may at any time make any amendment which is to the advantage of the option holders to the provisions of the Share Option Scheme provided that the prior approval by ordinary resolution of the shareholders of the Company in general meeting is obtained in the case of amendments to the provisions concerning the persons eligible to participate, the periods during which options may be granted and exercised, the price payable for the grant of options, the price payable for shares on the exercise of options, the transferability of options, the limits, the rights attaching to shares issued pursuant to options, variations of capital and alterations. However, this proviso will not apply if it is necessary or desirable to amend the Share Option Scheme in order to obtain approval from an overseas tax authority, to comply with any statutory provision, or to take account of a take-over, reconstruction or winding-up of the Company.

9. ESOP

(A) On 21st November, 1988, the Company established the Betacom 1988 Employee Share Ownership Plan Trust ("the ESOP Trust") which is a discretionary trust for the benefit of employees of the Group. On 21st November, 1988, conditionally, *inter alia*, upon Admission becoming effective not later than 30th December, 1988 and the Underwriting Agreement referred to in paragraph 6 above becoming unconditional and not being terminated in accordance with its terms prior to Admission, CSI agreed to sell 620,400 Ordinary Shares to the ESOP Trust and 930,600 Ordinary Shares to a wholly owned subsidiary of Bank of Scotland ("the Bank"), in each case at the Offer Price. The purchase of shares by the ESOP Trust will be funded by an interest-free loan to the ESOP Trust from the Company.

(B) The Bank has entered into put and call option arrangements with the ESOP Trust enabling the ESOP Trust to require the Bank to sell to it any or all of the Ordinary Shares held by the Bank at any time during the next 10 years, and enabling the Bank to require the ESOP Trust to purchase from it a pre-determined number of Ordinary Shares at pre-determined intervals.

(C) The price payable by the ESOP Trust under the options referred to in paragraph (B) above will be a formula price reflecting the original cost of the Ordinary Shares and the interest which the Bank would have received if it had deposited the original purchase price of the Ordinary Shares at 2 per cent. above Bank of Scotland base rate less the dividends and tax credits received by the Bank on the shares pending the onward sale to the ESOP Trust.

(D) As security for the ESOP Trust's obligations under the put options, the ESOP Trust will grant to the Bank a first charge over all the Ordinary Shares it holds. In addition, the Company has entered into a covenant with the ESOP Trust promising to procure (so far as it is able) that the ESOP Trust has sufficient funds to meet its obligations under the put options.

(E) The ESOP Trust will distribute the shares held by it to employees of the Group in accordance with the terms of the Share Option Scheme.

(F) Further funding for the ESOP Trust to enable it to acquire Ordinary Shares from the Bank under the put and call options will be provided from the following sources:

(a) dividends it receives on the Ordinary Shares it holds;

(b) voluntary contributions from the Group;

(c) further interest-free loans from the Company; and

(d) proceeds of the sale of shares to employees.

(G) The Trustee of the ESOP Trust is Rothschild Trust Management A.G. and the form of the document establishing the ESOP Trust is available for inspection as stated below.

10. PREMISES

The Group operates from the following premises:

Address	*Use*	*Approximate Area (Sq.ft.)*	*Rental per annum*	*Tenure*
(a) Unit 12, Ponders End, Industrial Estate, Duck Lees Lane, Enfield, Middlesex EN3 7TQ	Head office and warehouse	17,500	£44,500 subject to review on 25th March, 1994	Leasehold expiring on 24th March, 2008
(b) 42 Hill Street, Kingswood, Bristol BS15 4ES	Offices, laboratory and workshop	7,500	—	Freehold

11. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by one or more members of the Group within the two years immediately preceding the date of this document and are or may be material:

(A) An agreement dated 26th August, 1988 between the Company (1) and S P Birch and others (2) whereby the Company agreed to purchase the entire issued share capital of Global for a total consideration of £230,000 in cash.

(B) The Underwriting Agreement referred to in paragraph 6(A)(i) of this Part V.

(C) The Liability Sharing Agreement referred to in paragraph 6(A)(iii) of this Part V.

(D) A deed dated 21st November, 1988 between CSI(1), DM Baylin and L Baylin ("the Vendors") (2) and the Company (3) whereby, the Vendors were released, *inter alia*, from a deed of tax indemnity dated 3rd March, 1987 entered into by the Vendors in connection with the sale of the company to CSI.

12. WORKING CAPITAL

The Directors are of the opinion that the Group has sufficient working capital for its present requirements after taking into account its existing bank facilities.

13. LITIGATION

There are no legal or arbitration proceedings pending or threatened against any member of the Group which may have or have had during the past 12 months a significant effect on the Group's financial position.

14. MATERIAL CHANGES

Save for the allotment of 29,000,000 Ordinary Shares to raise £7,975,000 as referred to in paragraph 2(F) of this Part V, there has been no significant change in the financial or trading position of the Group since 30th September, 1988, the date to which the last audited financial statements were prepared.

15. TAXATION

(A) The Directors have been advised that the Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988. Prior to March 1987, the date of its acquisition by CSI, the Company was a close company. Clearances under Schedule 19 of the Income and Corporation Taxes Act 1988 have been obtained for all relevant periods ended on or before 31st December, 1987.

(B) Under current United Kingdom legislation, the Company is not required to withhold tax at source but, when the Company pays a dividend, it is obliged to account to the Inland Revenue for advance corporation tax ("ACT") at a rate which is related to the basic rate of income tax and at present is 25/75ths of the dividend paid. Accordingly the ACT related to a dividend currently equals 25 per cent. of the aggregate of the dividend and the related ACT.

An individual shareholder who is resident (for tax purposes) in the United Kingdom and who receives a dividend from the Company will be entitled to a tax credit of an amount equal to the related ACT. An individual so resident will be taxable upon the total of the dividend received and the tax credit but the tax credit will discharge his liability to basic rate income tax and, to the extent that his total tax credits exceed his overall liability to income tax, he will be able to claim payment of the excess from the Inland Revenue. A United Kingdom resident corporate shareholder will not be liable to United Kingdom corporation tax on any dividend received.

Subject to exceptions for Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands and certain others, the rights of any shareholder of the Company who is not resident in the United Kingdom (for tax purposes) to claim part of the tax credit will depend upon the existence and terms of any double tax convention between the United Kingdom and the country in which he is resident. A shareholder who is not so resident in the United Kingdom should consult his own tax advisers concerning his tax liabilities on dividends received, whether he is entitled to reclaim any part of the tax credit and, if so, the procedure for doing so. Such a shareholder may also be subject to foreign taxation on dividend income under local law.

Any person who is in doubt as to his tax position should consult an appropriate professional adviser.

(C) Clearance has been obtained from the Inland Revenue under Section 707 of the Income and Corporation Taxes Act 1988 in respect of the re-organisation referred to in paragraph 2(E) above.

(D) Under the Underwriting Agreement referred to in paragraph 6(A) above, CSI has given appropriate indemnities in respect of income tax, corporation tax and inheritance tax liabilities.

16. STAMP DUTY AND STAMP DUTY RESERVE TAX

(A) The acceptance of Ordinary Shares being sold pursuant to the Offers will give rise to a charge to stamp duty reserve tax ("SDRT") at the rate of 50p per £100 (or part thereof) on the actual consideration paid on any Ordinary Shares accepted pursuant to the Offers. However, the Commissioners of Inland Revenue have confirmed that they will accept notification and payment by McCaughan Dyson Capel Cure on behalf of persons accepting the Offers of any SDRT liability incurred on the acceptance of applications under the Offers by applicants who are allocated Ordinary Shares as discharging any liability of such applicants to notify and account for the tax under the Stamp Duty Reserve Tax Regulations 1986 providing that the liability of such applicants would otherwise be to pay SDRT at a rate not exceeding 50p per £100 (or part thereof) on the actual consideration paid. Each applicant will be required to give a warranty to this effect (see paragraph 5(H) of Part VI below). Accordingly, where Ordinary Shares represented by a letter of acceptance are registered in the name of the original applicant, no further liability to stamp duty or SDRT will arise.

(B) Agreements to renounce letters of acceptance will generally be liable to SDRT at the rate of 50p per £100 (or part thereof) of the actual consideration paid. The SDRT is the liability of the purchaser. Where the renunciation is effected through a member of The Stock Exchange or a qualified dealer that person will normally collect the SDRT and will indicate that this has been done in the contract note issued to the purchaser. In other cases the purchaser is liable to pay the SDRT and must account for it to the Inland Revenue.

(C) Transfers of Ordinary Shares once registered will generally be liable to stamp duty at the rate of 50p per £100 (or part thereof) of the actual consideration paid. An unconditional agreement to transfer such shares will be subject to SDRT at the same rate save to the extent that the agreement is completed within two months by a duly stamped transfer in favour of the purchaser under the agreement for the shares agreed to be sold.

(D) Generally, no stamp duty or SDRT is otherwise payable on the issue of renounceable letters of acceptance or on their registration.

(E) Special rules may apply to agreements made by market makers and certain categories of persons are not liable to SDRT and others may be liable at higher rates or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

The above comments are intended as a general guide to the current position. Any person who is in doubt as to his tax position should consult his professional adviser.

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17. GENERAL

(A) The financial information relating to the Group set out in the Accountants' Report in Part III of this document does not comprise full accounts as referred to in Section 254 of the Companies Act 1985. Full accounts have been delivered to the Registrar of Companies in respect of the five financial periods ended 31st December, 1987 and have been audited and reported upon under Section 236 of the Companies Act 1985.

(B) The auditors of the Company for the five financial periods ended 31st December, 1987 were Arram Berlyn Gardner & Co. Chartered Accountants, of 37-41 Mortimer Street, London W1N 7RJ.

(C) Peat Marwick McLintock has given and has not withdrawn its written consent to the issue of this document with the inclusion of the Accountants' Report and its letter and the references thereto and to itself in the form and context in which they appear.

(D) McCaughan Dyson Capel Cure has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name and letter in the form and context in which they appear.

(E) The Group has arranged keyman insurance policies on the lives of D M Baylin and S P Birch for the sums of £500,000 and £250,000 respectively. The Company is arranging further keyman insurance cover on the life of D. M. Baylin for the additional sum of £500,000.

18. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday and public holidays excepted) at the offices of Clifford Chance at Royex House, Aldermanbury Square, London EC2V 7LD for a period of fourteen days after the date of this document:

(a) the Memorandum and Articles of Association of the Company;

(b) the audited consolidated financial statements of the Group for the two financial periods ended 31st December, 1987 and for the nine months ended 30th September, 1988;

(c) the letters relating to the turnover and profit forecasts set out in Part II;

(d) the report of Peat Marwick McLintock set out in Part III and the statements of adjustments relating thereto;

(e) the Directors' service agreements referred to in paragraph 4 of this Part V;

(f) the rules of the Share Option Scheme referred to in paragraph 8 of this Part V;

(g) the form of the Deed establishing the ESOP Trust referred to in paragraph 9 of this Part V;

(h) the material contracts referred to in paragraph 11 of this Part V; and

(i) the written consents referred to in paragraph 17 of this Part V.

PART VI
TERMS AND CONDITIONS OF THE OFFERS

1. The "Basis of Acceptance and Dealing Arrangements" contained in Part VII of this document and the "Instructions for completing the Public Application Form" set out below form part of these terms and conditions.

2. The contract arising from each acceptance of an application (whether under the Shareholder Offer or under the Public Offer) will be conditional upon Admission occuring not later than 30th December, 1988 and upon the Underwriting Agreement referred to in paragraph 6(A) of Part V of this document becoming unconditional and not being terminated in accordance with its terms prior to Admission.

3. McCaughan Dyson Capel Cure, as agent for CSI and the Company, reserves the right to reject in whole or in part or to scale down any application, and in particular multiple or suspected multiple applications under the Public Offer, and to present for payment any cheques or banker's drafts received before the conditions referred to in paragraph 2 above are satisfied and to retain letters of acceptance and surplus application monies pending clearance of all applicants' cheques and banker's drafts. Application monies received will be kept by Bank of Scotland, New Issues Department, PO Box 30, 2nd Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL in a separate bank account. If the conditions referred to in paragraph 2 above are not satisfied or if any application is not accepted in whole or in part or is scaled down, the application monies or, as the case may be, the balance thereof will be returned (without interest) to the first-named applicant by returning the applicant's(s') cheque(s) or banker's draft(s) or by sending a crossed cheque in favour of the first-named applicant through the post to the address of the first-named applicant at the risk of the person(s) entitled thereto.

4. The right is reserved by CSI and/or the Company to reject any application in respect of which the applicant's(s') cheque(s) or banker's draft(s) has/have been dishonoured at any time prior to the despatch of the renounceable letters of acceptance and to reject any application from (or suspected to be from) or made on behalf of (or suspected to be made on behalf of) a US person as defined in paragraph 5(L) below. The right is also reserved to treat as valid any application not in all respects completed in accordance with the instructions accompanying the relevant application form.

5. Applications (other than those made by eligible shareholders of CSI or Eligible Employees (together the "Preferred Applicants")) must be made on the attached Public Application Form. The application by you will, subject to acceptance, constitute an agreement between you, CSI and the Company on the terms, and subject to the conditions, set out herein. By completing and delivering an application form, you:

(A) offer to purchase the number of Ordinary Shares under the Public Offer ("Public Offer Shares") specified in your application form (or such smaller number for which the application may be accepted) at the Offer Price on and subject to these terms and conditions and subject to this document and the Memorandum and Articles of Association of the Company;

(B) authorise McCaughan Dyson Capel Cure to send (a) letter(s) of acceptance for the number of Public Offer Shares for which your application is accepted and/or a crossed cheque for any monies returnable, by ordinary post, at your risk to the address of the first-named applicant as set out in your application form;

(C) agree that, in consideration of CSI agreeing that it will not prior to 1st January, 1989 sell any of the Public Offer Shares other than by means of the procedures referred to in this document, your application may not be withdrawn until after 1st January, 1989 and warrant that your remittance will be honoured on first presentation and that this paragraph shall constitute a collateral contract between you and CSI which will become binding upon despatch by post to, or otherwise on receipt by, Bank of Scotland, New Issues Department, PO Box 30, 2nd Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL of your application form;

(D) agree that all applications, acceptances of applications and contracts resulting therefrom shall be governed by, and construed in accordance with, English law and that you submit to the jurisdiction of the English courts;

(E) warrant that:

(i) (if this application is made for your own benefit) no other application under the Offers is being made for your benefit either by you or by anyone applying as your agent (other than a discretionary Personal Equity Plan manager) or, so far as you are aware, by a discretionary Personal Equity Plan manager or by any other person; and

(ii) (if the application is made by you as agent for, or for the benefit of, another person) no other application under the Offers for the benefit of that person is being made by you or, so far as you are aware, by that person or by any other person;

(F) if you sign the application form as agent for someone else, warrant you have due authority to do so on behalf of that other person and undertake to enclose your power of attorney or a copy thereof certified by a solicitor, where this is required by the "Instructions for completing the Public Application Form";

(G) agree that any letter of acceptance and application monies in respect of any applicant suspected to be in breach of the warranty contained in paragraph 5(E) of these terms and conditions may be held (without interest) pending investigation;

(H) warrant that you (and any principal of yours) have not issued and will not issue, a depositary receipt within the meaning of Sections 93 or 94 of the Finance Act 1986 in respect of any of the Public Offer Shares for which you are applying, and that you (and any principal of yours) are not, and are not the nominee for, a person providing clearance services for the purposes of Sections 70 or 96 of the Finance Act 1986 in respect of any of the Public Offer Shares for which you are applying;

(I) agree that, in respect of those Public Offer Shares for which your application has been received and processed and not rejected, acceptance of your application shall be constituted, at the election of CSI, either by notification to The Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or by the notification to Bank of Scotland, New Issues Department, PO Box 30, 2nd Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL of the number of Public Offer Shares in respect of which your application is accepted;

(J) agree that the basis of allocation of the Public Offer Shares will be determined by McCaughan Dyson Capel Cure in its absolute discretion (after consultation with CSI and the Company) and subject to the rights of Eligible Employees;

(K) authorise Bank of Scotland, New Issues Department, PO Box 30, 2nd Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL, or McCaughan Dyson Capel Cure to do all things necessary to procure that your name(s) or the name(s) of any person(s) in whose favour the entitlement to any Public Offer Shares has been effectively renounced is/are placed on the register of members of the Company as the holder(s) of such shares and authorise any representative of Bank of Scotland, New Issues Department, PO Box 30, 2nd Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL or McCaughan Dyson Capel Cure to execute and/or renounce any renounceable or other document of title required therefor;

(L) warrant that you are not and are not acting on behalf of or for the account of a US person. A "US person" means any individual who is a resident or national of the United States or its territories or possessions or any other areas subject to its jurisdiction or any corporation, partnership or other entity created or organised under the laws of the United States and any estate or trust the income of which is subject to US Federal income taxation regardless of its source. A US person shall include (i) in the case of any such corporation or firm any branch thereof outside the United States; (ii) any investment fund, estate or trust organised under or governed by the laws of the United States or any political sub-division thereof except any fund managed on a discretionary basis in the United Kingdom; and (iii) any US branch of any corporation or firm;

(M) confirm that, in making your application, you are not relying on any information or representation in relation to the Company or its subsidiaries or any of the Public Offer Shares not contained in this document and accordingly agree that neither McCaughan Dyson Capel Cure, CSI nor the Company nor any person responsible solely or jointly for this document or any part of it shall have any liability for any information or representation not so contained; and

(N) confirm that you have read and complied with paragraph 7 below.

6. Applications made by Preferred Applicants will be on the terms and conditions set out in this part VI insofar as such terms and conditions are stated to be applicable in, or in any document accompanying, the Application Forms for such Preferred Applicants.

7. No person receiving a copy of this document or an application form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any registration or other regulatory or legal requirements. Any person outside the United Kingdom wishing to make an application hereunder must satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including the obtaining of requisite governmental and other consents, the observing of any other requisite formalities and the payment of any issue, transfer and other taxes due in such territory.

8. The Ordinary Shares under the Offers ("Offer Shares") have not been, and will not be, registered under the United States Securities Act of 1933, as amended. Accordingly, the Offer Shares may not be offered, sold, renounced or transferred, directly or indirectly, in the United States or to, or for the benefit of, any US person or to any person purchasing such shares for re-offer, sale, renumeration or transfer in the United States or to, or for the benefit of, any US person as part of the distribution of such shares.

INSTRUCTIONS FOR COMPLETING THE PUBLIC APPLICATION FORM

ONLY ONE APPLICATION UNDER THE PUBLIC OFFER MAY BE MADE FOR THE BENEFIT OF ANY PERSON – see paragraph 5(E) of Part VI of the listing particulars dated 22nd NOVEMBER, 1988. IF YOU MAKE A PRIORITY APPLICATION UNDER THE SHAREHOLDER OFFER OR AS AN ELIGIBLE EMPLOYEE OF THE GROUP, THEN YOU MAY NOT ALSO MAKE AN APPLICATION ON THIS FORM.

1. Put in Box 1 your full name and address (please use block capitals). Application must not be made by any person under 18, but a parent, grandparent or guardian of a child under 18 may apply for the benefit of that child. To do this you should put your own name in Box 1, and after your surname write "A/C" followed by the full names of the child and the child's date of birth. This does not stop you from making a single application for your own benefit.

If you wish to apply jointly with another adult, see Note 6.

2. Put in Box 2 (in figures) the number of Ordinary Shares for which you are applying.

Applications must be for a minimum of 200 Ordinary Shares and in one of the following multiples:

Applications:	Multiples of:
200 to 1,000	200
1,000 to 5,000	500
5,000 to 1,000	1,000
10,000 to 50,000	5,000
more than 50,000	10,000

Applications for any other number of shares will be rejected.

3. Put in Box 3 (in figures) the exact amount payable.

The amount of your cheque or banker's draft should be 82p multiplied by the number of Ordinary Shares inserted in Box 2.

For example:

200 Ordinary Shares would cost	£164
1,000 Ordinary Shares would cost	£820
5,000 Ordinary Shares would cost	£4,100
10,000 Ordinary Shares would cost	£8,200

4. Sign and date the form in Box 4. The application form may be signed by someone else on your behalf if he is duly authorised to do so. An agent must enclose the power of attorney appointing him (or a copy certified by a solicitor) and state the capacity in which he signs.

A corporation must sign under the hand of a duly authorised official, whose representative capacity must be stated.

By making an application, you warrant that you are not, and are not acting on behalf of, a US person as defined in paragraph 5(L) of Part VI of the listing particulars dated 22nd November, 1988.

5. Pin to Box 5 a cheque or banker's draft for the exact amount you have entered in Box 3. Your cheque or banker's draft must be made payable to "Betacom Plc Share Offer". Please ensure that it is crossed and write on it "Not Negotiable A/C Payee only".

No receipt will be issued. Your cheque or banker's draft must be drawn in sterling on an account at a bank branch in the United Kingdom, the Channel Islands or the Isle of Man and must bear a United Kingdom bank sort code number in the top right hand corner.

If you do not have a cheque account, you can obtain a cheque from your building society or a bank branch, in which case you should write your full name(s) and address on the back of the cheque.

An application may be accompanied by a cheque drawn by someone other than the applicant(s), but any monies returned may be sent by cheque crossed "Not Negotiable A/C Payee Only" in favour of the person named in Box 1.

6. You may apply jointly with up to three other people, provided each applicant is aged 18 or over. They should complete and sign Box 6. Each applicant should read Note 4 before signing this box.

You must send your completed application form by post, or deliver it by hand, together with your cheque or banker's draft for the amount payable, to Bank of Scotland, New Issues Department, P.O. Box 30, 2nd Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL, so as to be received no later than 10.00 am on 1st December, 1988.
Photocopies of Public Application Forms will not be accepted in any circumstances.

PART VII
BASIS OF ACCEPTANCE AND DEALING ARRANGEMENTS

Applications for Ordinary Shares under the Offers must be received by 10.00 am on 1st December, 1988 and the Application Lists will close as soon thereafter as McCaughan Dyson Capel Cure may determine. The basis on which applications have been accepted will be announced as soon as possible after the Application Lists close.

It is expected that renounceable letters of acceptance will be posted to successful applicants by not later than 8th December, 1988 and that dealings in the Ordinary Shares will commence on 9th December, 1988. Dealings prior to receipt of letters of acceptance will be at the risk of applicants. The person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated, or at all.

Letters of acceptance will be renounceable until 3.00 pm on Friday, 6th January, 1989. In cases of renunciation, letters of acceptance (duly completed in accordance with the instructions contained therein) must be lodged for registration by 3.00 pm on Friday, 6th January, 1989. After this time, an instrument of transfer must be used. Share Certificates are expected to be despatched by first class post not later than 3rd February, 1989.

Applicants for Ordinary Shares are referred to paragraph 18 of Part V of this document in relation to stamp duty and stamp duty reserve tax. Any person who is in doubt as to his taxation position should consult an appropriate professional adviser.

Copies of the listing particulars may be obtained from:

McCaughan Dyson Capel Cure, 65 Holborn Viaduct, EC1A 2EU; Betacom Plc, Unit 12, Ponders End Industrial Estate, Duck Lees Lane, Enfield, Middlesex EN3 7TQ; Cannon Street Investments P.L.C., 18 Buckingham Gate, London SW1E 6LB.

and from the following branches of Bank of Scotland:

53 Castle Street, Aberdeen AB9 8AJ; 124 Colmore Row, Birmingham B3 3AU; 29 Corn Street, Bristol BS99 7JG; 38 St Andrew Square, Edinburgh EH2 2YR; 110 St Vincent Street, Glasgow G2 5EJ; 21/22 Park Row, Leeds LS1 5JF; 14 Friar Lane, Leicester LE1 5RA; 55 Old Broad Street, London EC2P 2EL; 19/21 Spring Gardens, Manchester M2 1EB; 62/68 Grey Street, Newcastle Upon Tyne NE1 6AF; 148 High Street, Southampton SO9 3LX.

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PUBLIC APPLICATION FORM

To Cannon Street Investments P.L.C., McCaughan Dyson Capel Cure (UK) Limited, Betacom Plc and Bank of Scotland, New Issues

BEFORE completing this form, please read carefully the guide opposite

PLEASE USE BLOCK CAPITALS

Mr Mrs Miss Ms or title	Forename(s) (in full)
Surname	
Address	
	Postcode

1

I/We offer to purchase ______ Ordinary Shares 2

in Betacom Plc on and subject to the Terms and Conditions set out in the listing particulars dated 22nd November, 1988, and subject to the Memorandum and Articles of Association of the Company

and I/we attach a cheque or banker's draft for the exact amount payable of £ 3

Date 1988	Signature

4

Pin here your cheque/banker's draft for the exact amount in Box 3, payable to "Betacom Plc Share Offer" and crossed "Not Negotiable A/C Payee only" 5

FOR OFFICIAL USE ONLY

1. Form No
2. Acceptance No
3. Shares Accepted
4. Amount received £
5. Amount payable £
6. Amount returned £
7. Cheque No

JOINT APPLICANTS

The first applicant should sign Box 4 and complete Box 1. Using BLOCK CAPITALS, insert below the names of any joint applicants, who must sign in the right hand column
I/We join in this application

Mr Mrs Miss Ms or title	Forename(s) (in full)	Surname	Signature
2nd joint applicant			
3rd joint applicant			
4th joint applicant			

6

Betacom

COMMODITIES AND AGRICULTURE

Cocoa up on reports of France/Ivory Coast deal

By George Graham in Paris and David Blackwell in London

FRENCH OFFICIALS yesterday refused to confirm that a deal had been struck with the Ivory Coast on stockpiling cocoa in a bid to solve the country's desperate financial problems.

However, prices in both London and New York have risen sharply since Reuter reported late on Monday that a senior delegate to the International Cocoa Organisation said an agreement had been reached providing for the storage of 200,000 tonnes in Europe, the purchase of 100,000 tonnes by the Soviet Union and the gradual sale of another 100,000 tonnes by a French trader.

In London yesterday March cocoa futures, which rose £20 on Monday, added another £16 to close at £887 a tonne. In heavy morning trading the price went as high as £897 a tonne, but it retreated later as the France/Ivory Coast deal remained unconfirmed.

London analysts were sceptical about some parts of the reported deal, pointing out that the Soviet Union was unlikely to take 100,000 tonnes. According to Gill & Duffus, the London trader, the country's total grinding needs for 1988 will be only 131,000 tonnes, most of it secured on long-term contract.

"Who knows what the truth is?" said Mr Tony Chadwick, cocoa analyst with Prudential Bache. "This deal has been on and off five or six times already." But he added: "There has got to be some truth in it this time."

The market has risen sharply because a deal would worsen the shortage of Ivory Coast cocoa on the market. The country has been withholding its crop because it feels world prices are too low.

The French Co-operation Ministry said yesterday it could not comment on reports that a deal had already been struck, but Mr Serge Varsano, chairman of Sucres et Denrees, the dealer negotiating to handle the stockpiling, is reported to have been received by Mr Felix Houphouet-Boigny, the Ivorian president, 10 days ago.

The French Government has been taking the lead in negotiating a solution, and is understood to be ready to make an exceptional loan of FFr400m (£37m) from the Caisse Centrale de Cooperation Economique. But it has insisted that an agreement must include the World Bank and the International Monetary Fund, and must involve a real structural adjustment programme.

The problems of the Ivory Coast came to the boil last month when Mr Houphouet-Boigny refused once again to lower the producer support price for cocoa from CFA400 a kilogram (FFr8). The Ivory Coast refuses to sell its cocoa at less than FFr12 a kilogram.

Crisis point came last week when the country came within a matter of hours of being cut off from all further World Bank payments.

The World Bank issued an official warning to the Ivory Coast when its debt repayment arrears passed 75 days. A repayment was made only hours before the deadline of 90 days arrears when the World Bank is obliged to suspend all disbursements.

Iranian Minister dashes Opec hopes

By Steven Butler in Vienna

OIL PRICES soared yesterday in Europe as traders responded to a renewed sense of optimism at the ministerial conference of the Organisation of Petroleum Exporting Countries in Vienna.

However, hopes that agreement was close were apparently dashed late yesterday when Mr Gholamreza Aghazadeh, the Iranian Oil Minister, said that no deal had been reached on the Iraqi quota issue. He again rejected any scheme that would give Iraq a production quota equal to Iran's.

Ministers attending the conference shuttled back and forth throughout the day engaging in a series of intensive talks aimed at resolving the problem of bringing Iraq back into the quota system.

In European trading north Sea Brent oil for December delivery closed up 125 cents at $13.40 a barrel and on the New York Mercantile Exchange West Texas Intermediate was up 129 cents at $14.41½ at midday. But the Nymex price fell back after Mr Aghazadeh's statement.

The ministers from Nigeria, Venezuela, and Indonesia emerged from an afternoon meeting with Mr Aghazadeh, reporting that the talks had gone well and that they were now very optimistic an agreement could be reached.

Mr Aghazadeh had earlier said he expected the meeting to conclude today and that an agreement would be reached.

It was not immediately clear, however, what gave the ministers cause for their optimism.

Iran has so far stubbornly resisted pressure to compromise on its opposition to granting Iraq an equal quota to its own and last night said it would not accept any reduction in its share of Opec oil production. One plan that has been knocked about involves using production from the Neutral Zone, which belongs to Kuwait and Saudi Arabia, to supplement an Iraqi quota and bring it up to the Iranian level.

However, Mr Aghazadeh might find even this difficult to accept. It is not clear, moreover, that the Iraqi delegation has authority to accept anything less than full parity, nor that Kuwait and Saudi Arabia would be willing to continue contributing Neutral Zone crude to Iraq. Output from the Neutral Zone currently goes to Iraq for war relief, although this arrangement is set to end this year.

The ministers are under intense pressure to reach an agreement because of the sharp rise in Opec output,

Australian iron ore strike ends

By Chris Sherwell in Sydney

EXPORTS OF iron ore from the Mount Newman mine in the Pilbara region of Western Australia are set to resume following a paralysing strike by mine and port workers lasting more than three weeks.

Some 1,200 mine workers resumed operations yesterday afternoon after a meeting to discuss an order handed down by the Industrial Relations Commission in Perth on Sunday.

Another 1,200 at Port Hedland voted to resume work this morning.

Ships waiting offshore for a resumption of operations are expected to start loading iron ore almost immediately, although it will take some time for the mine, 85 per cent owned by BHP, to resume its production rate of 110,000 tonnes a day.

The dispute was the most bitter and disruptive in the Pilbara iron ore belt since Peko-Wallsend clashed with its workers at the neighbouring Robe River mine in 1986. Originally a dispute over changes to restrictive work practices, it deteriorated into an argument over the use of salaried staff employees to do wage-earners' work.

Last week the head of BHP's Mount Newman operation was suddenly replaced by Mr Gavin McDonald, until then chief of the group's coal operations.

He now has to ensure that the group comes as close as possible to meeting BHP's contractual obligation to deliver 36m tonnes over the year to May – a target the company has already said it cannot meet.

Sunday's order from Industrial Relations Commission required the strike to end yesterday afternoon. Under the order the company was to hold in abeyance a demand that salaried staff should do blue-collar work in any future disputes, and to reinstate staff who had refused to agree to the demand.

Earlier the Commission had ordered changes to Mount Newman's industrial relations agreements, paving the way for much-needed changes in work practices. This should have brought a return to work far sooner, but workers decided to stay out because of the dispute over the use of salaried staff.

Mt Newman is one of Australia's biggest iron ore mines, producing iron ore lumps, for which there is strong market demand, as well as fines. The dispute has been damaging both for the company and the country, as iron ore is one of Australia's most important commodity exports, along with wool, coal, wheat and gold.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,040-2,085 (2,080-2,125).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.00-6.10 (5.90-6.05).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 7.00-7.35 (6.80-7.25), sticks 7.00-7.35 (6.80-7.25).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.50-7.70 (7.35-7.70).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 285-300 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.45-3.50 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.20-9.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 55-63 (same).

VANADIUM: European free market, min. 98 per cent, VO, cif, 6.00-6.30 (5.90-6.20).

URANIUM: Nuexco exchange value, $ per lb, UO, 14.15 (same).

Seeking harmony on sheepmeat

Continuing our series on EC farm spending curbs, Bridget Bloom studies one of the most contentious price support regimes

BESIDE ITS cereal and milk regimes, the European Community's support system for sheep and lambs appears rather insignificant. Spending on it amounted to just under Ecu 1bn (£650m) last year and may not be much more in 1988. By comparison the cereal and dairy regimes ran up bills of about Ecu 5bn and Ecu 6bn respectively in 1987.

Yet the inelegantly named sheepmeat regime is one of the most contentious of all those now caught up in the drive to reform the common agricultural policy. "Not one member state with an interest in the sector agrees with the Commission's proposals on sheepmeat," a senior member state official claimed this week. "The trouble is there isn't one who can or will produce an acceptable alternative."

The sheepmeat regime is something of a curiosity within the CAP. While most of the support systems date from the late 1950s or early 1960s, sheepmeat was not introduced until 1980 and then specifically to cope with the special problem created by Britain's pre-eminent position as the Community's main producer, consumer, exporter and importer.

The entry into the EC of Spain and Greece subsequently complicated matters. Until recently Britain, producing some 330,000 tonnes of sheepmeat a year, took the lion's share of the support budget, but the Commission now fears spiralling costs with the full integration of Spain (230,000 tonnes) and Greece (126,000 tonnes last year).

It is to contain these costs, as well as to introduce a uniform regime for sheepmeat with the advent of the single European market in 1992, that the Commission is pressing so hard for reform now. It has proposed two specific measures. One, a so-called budget stabiliser, was introduced in May this year. A wide-ranging plan effectively to abolish what most member states see as Britain's privileged position is proving much more difficult to agree.

The budget stabiliser, formalised at last February's summit meeting of EC leaders, reduces the guide – or minimum support – price by one per cent for every one per cent increase in breeding flocks. For this year, this meant a cut of 2 per cent in the Community as a whole, but of 3 per cent in Britain, where production is rising fastest. Next year's price cuts, agreed in principle only this week, are for 3 per cent in the Community as a whole and 7 per cent for Britain.

Most observers believe that it is too early to judge the stabiliser's effect, although Britain's National Farmers' Union, lobbying hard against all the Commission's proposals, says there is already a downward impact on market prices.

However, Britain's sheep farmers (so far backed by the British Government) are most upset about the proposed abolition of the variable premium, the key to Britain's privileged system.

Operating only in the UK, the variable premium is paid weekly on lambs ready for slaughter. It is a deficiency payment, which makes up the difference between the market price and a guide price which varies according to the season but is always known well (usually a year) in advance. It offers the obvious advantage to producers of a predictable cashflow throughout the year.

It contrasts with the system which operates in the rest of the Community, where farmers get an annual premium on breeding stock, paid many months after it is claimed (Britain also gets the ewe premium, but at a lower rate to take account of the variable premium).

The third key element of the present system is that British exports of lamb to France, once the subject of a bitter "lamb war", are subject to a countervailing tax, known as clawback. This prevents the variable premium giving British lamb an unfair advantage on the French market.

The Commission has proposed phasing out the variable premium between now and 1993 and replacing it with a single ewe premium which could be paid several times a year and which would be calculated differentially to take account of the differing production methods within the Community's regions. Eventually there would be three regions to replace the present seven, with Britain joining the "northern" group in 1993.

Over the same period, the Commission has proposed phasing out the clawback, which being a frontier tax would be incompatible with the single market. The Commission would also like to impose limits on the numbers of sheep on which the premium would be paid and has proposed 1,000 as the limit for hill farms, and 500 for lowland flocks.

The Commission's proposals are not new, in the sense that they have been known in outline for a year. However, in October they were produced in the form of a detailed legal text, and a working group was set up to examine them which has so far apparently made no progress.

The problem – at least according to British supporters of the present system – is that everyone (except the taxpayer) stands to lose from the new proposals. British producers naturally do not want to give up their variable premium in return for something which seems to them bound to be less stable, even though British lamb would probably remain competitive in France, its main EC export market.

For their part, French producers are not averse to seeing Britain's special position disappear, but they remain worried at the likely competitive advantage which Britain's lower cost lamb will have once clawback goes. As for the mediterranean producers, Spain and Greece would both like higher premiums than the Commission is proposing.

The situation is complicated further by the fact that the EC still imports lamb – most notably from New Zealand, a hang-over from the days before British entry. The imports come in under so-called voluntary restraint agreements under which New Zealand, for example, has agreed not to send more than 245,500 tonnes a year at a discretionary rate of duty (10 per cent instead of the normal 20 per cent).

The Commission has proposed reducing New Zealand's VRA quantity to 205,000 tonnes (which is slightly above the actual rate of imports over the last three years); it would also abolish the 10 per cent duty but establish a "surveillance" system to ensure there is "equilibrium" between EC and imported sheepmeat prices.

Whether or not these proposals are accepted depends not only on the sheepmeat negotiations but also on those covering access for New Zealand butter, proposals on the two commodities being seen by the Commission as a package.

In theory, agriculture ministers, meeting as the Farm Council in mid-December, should reach decisions on the New Zealand package, on the sheepmeat regime and on the beef regime reforms. In practice, most observers feel, there is no hope of agreement on sheepmeat.

Meanwhile, the sheepmeat reforms continue to be the acid test for Britain, for while it is one of the staunchest advocates of the general reform of the CAP, it appears to be dragging its feet on the reform which will hit it the hardest. "Christmas is over," was how one EC official expressed the inevitability of the demise of the variable premium. But he acknowledged that it might only be in several months time that Britain would recognise the fact.

Strong currency worries Australian coal industry

By Chris Sherwell in Sydney

THE SHARP appreciation of the Australian dollar against the US currency over recent weeks is posing a new threat to the troubled Australian coal industry and has already eroded the increase in steaming coal prices recently won from Japanese customers.

The trend is a matter of "very great concern" to the local coal industry, according to Dr Barry Ritchie, executive director of the Australian Coal Association. Producers are now getting the same Australian dollar price as two years ago.

Dr Ritchie's comments, made at the weekend, followed a rise in the Australian dollar from below 80 US cents six weeks ago to around 86 cents last week. In the aftermath of the stockmarket crash, little more than a year ago, the currency stood at 67 US cents.

The remarks also follow the recent success by Australian producers in winning from Japanese power utilities an increase of US$6.25 a tonne in the price of steaming coal, to US$35.65, ending years of stagnation. It also coincided with the implementation of big changes in mining work practices ordered by Australia's Coal Tribunal after years of heated industrial relations.

Dr Ritchie said three or four months of industrial difficulties still lay ahead as the changes were introduced. But additional strains were being imposed on coal mining operations because of the Australian dollar's strength.

"If, as some commentators are saying, it's going to stay up in the 85-90 US cents range, we're going to have to close mines," he warned.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices closed sharply lower, depressed by the weakness of the dollar and the threat of an increase of 1m bags in the International Coffee Organisation export quota total. Dealers said the rise in the ICO daily composite price above 115 cents a lb for the first time since October 4 helped to concentrate minds on the possibility of a release. The 1m bag increase will be triggered if the 15-day average of the daily price (113.94 yesterday) rises to or above 114.40 cents a lb. The physical market appears to have quietened down after last week's heavy roaster activity, said dealers, noting that some arabica coffees continue to be in very tight supply. On the LME zinc prices fell early before recovering after news that some producers, including Metallgesellschaft, were raising their base price to $1,500 a tonne. Three-month zinc closed at $1,459.50, down $7.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$11.15-25q	+1.35
Brent Blend	$13.35-45x	+1.25
W.T.I. 11 pm est)	$14.40-3q	+1.29
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$178-181	
Gas Oil	$126-127	+4
Heavy Fuel Oil	$60-62	+9
Naphtha	$135-137	+3.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$419.25	+1.75
Silver (per troy oz)♣	611c	+7
Platinum (per troy oz)	$558.75	+3.25
Palladium (per troy oz)	$126.5	+1.9
Aluminium (free market)	$2370	+65
Copper (US Producer)	146⅞-150	+1¼
Lead (US Producer)	40¼c	
Nickel (free market)	600c	
Tin (European free market)	£4080	+5
Tin (Kuala Lumpur market)	19.43r	-0.07
Tin (New York)	343.5c	0.5
Zinc (Euro. Prod. Price)	$1500	+25
Zinc (US Prime Western)	70⅞c	
Cattle (live weight)†	113.77p	+1.27*
Sheep (dead weight)†	175.29p	+10.1*
Pigs (live weight)†	78.78p	-0.22*
London daily sugar (raw)	$262z	-2
London daily sugar (white)	$278z	
Tate and Lyle export price	£254	
Barley (English feed)	£108.5	-1.0
Maize (US No. 3 yellow)	£126.5w	-0.5
Wheat (US Dark Northern)	£113.5	-0.5
Rubber (spot)♥	53p	+1
Rubber (Dec)♥	58.75p	+0.75
Rubber (Jan) ♥	59.50p	+0.75
Rubber (KL RSS No 1 Dec)	271.5m	+1.5
Coconut oil (Philippines)§	$560.0w	
Palm Oil (Malaysian)§	$415u	
Copra (Philippines)§	$380w	
Soyabeans (US)	$173	+2
Cotton "A" Index	57.95c	-0.20
Wooltops (64s Super)	625p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. x-Dec. w-Nov/Dec. v-Oct/Dec. u-Mar. q-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	863	852	880 861
Mar	887	871	903 882
May	875	862	892 871
Jul	876	865	890 872
Sep	878	868	885 873
Dec	888	892	904 886
Mar	906	893	910 300

Turnover: 11755 (5072) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 21: 1129.80 (1977.89):19 day average for Nov 22: 1087.08 (1081.23).

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1055	1070	1970 1057
Jan	1067	1085	1087 1064
Mar	1072	1095	1095 1070
May	1084	1094	1093 1084
Jly	1090	1096	1099 1092
Sep	1092	1100	1099 1092
Nov	1092	1100	1100

Turnover: 3394 (1918) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 21: Comp. daily 115.13 (114.89): . 15 day average 113.94 (113.75).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	250.00	235.00	237.00
Mar	240.00	230.80	241.00 229.40
May	235.00	225.60	229.80 224.40
Aug	229.00	221.00	229.08 220.00
Oct	226.00	218.60	226.00 225.00
White	**Close**	**Previous**	**High/Low**
Dec	268.00	254.00	258.50
Mar	274.00	264.00	273.50 262.00
May	270.00	260.00	267.00 254.00
Aug	269.00	260.00	264.00 256.50
Oct	267.00	256.00	260.00 258.00
Mar	267.00	251.50	262.00 259.50

Turnover: Raw 2028 (661) lots of 50 tonnes. White 1347 (342).
Paris- White (FFr per tonne): Mar 1584, May 1560, Aug 1562, Oct 1545, Dec 1535, Mar 1530

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2200	201	179	44	121
2300	138	133	79	145
2400	89	96	128	233
Copper (Grade A)	**Calls**		**Puts**	
2800	419	280	39	178
2900	275	190	92	282
3000	187	125	190	412

COTTON
Liverpool- Spot and shipment sales for the week ended November 18 amounted to 3060 tonnes against 353 tonnes in the previous week. Trading was good with sales occuring in American, Chinese, west African and Pakistani growths.

JUTE
December/January 1989 c and f Dundee BTC $485, BWC $495, BTD $430, BWD $445; c and f Antwerp BTC $455, BWC $445, BWD $405, BTD $415.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 18,300 tonne
Cash	2375-85	2280-90		2368-73		
3 months	2295-300	2232-5	2320/2240	2288-90	2315-20	19,557 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 3,700 tonne
Cash	1250-5	1220-5	1250	1250-5		
Dec. 21	1255-60	1225-30	1252	1250-2		16,412 lots
Copper, Grade A (£ per tonne)						Ring turnover 26,200 tonne
Cash	1755-60	1765-60	1760/1755	1758-60		
3 months	1540-1	1548-8.5	1557/1538	1550-1	1546-7	63,739 lots
Silver (US cents/fine ounce)						Ring turnover 9 ozs
Cash	608-11	597-600		607-19		
3 months	622-5	011-4		621-4		423 lots
Lead (£ per tonne)						Ring turnover 7,000 tonne
Cash	378-80	382-4		379-80		
3 months	375.5-6	378-9	379/375	375-5.5	376-6.5	19,819 lots
Nickel (0 per tonne)						Ring turnover 756 tonne
Cash	13250-300	13300-400	13300	13300-400		
3 months	11750-800	11650-700	11600/11745	11700-50	11750-800	5,594 lots
Zinc, Special High Grade (£ per tonne)						Ring turnover 50 tonne
Cash						
3 months	1495-505	1500-19		1015-20	1495-500	1,226 lots
Zinc ($ per tonne)						Ring turnover 9,200 tonne
Cash	1590-600	1580-90	1595	1594-6		
3 months	1457-62	1465-8	1466/1445	1464-5	1465-70	12,058 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	66.0	72.9	
Apr	97.1	87.8	97.9 96.5
May	111.9	112.9	111.2
Nov	85.5	90.0	

Turnover 105 (126) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	157.50	156.50	156.50 156.00
Feb	165.00	163.00	165.00 164.60
Apr	165.00	163.00	164.50
Jun	157.00	154.50	

Turnover 86 (280) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Nov	1523	1518	1523 1518
Dec	1550	1544	1558 1550
Jan	1562	1559	1570 1561
Apr	1595	1590	1600 1595
Jul	1402	1400	1404 1402
BFI	1503	1485	

Turnover 248 (113)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	197.90	109.15	109.00 107.90
Jan	109.95	111.15	110.75 109.80
Mar	113.05	114.40	113.80 113.00
May	118.30	117.55	117.20 116.20
Jun	118.19	119.30	118.90 118.10
Sep	103.05	103.25	103.25 103.00
Nov	105.40	105.75	105.75 105.40
Barley	**Close**	**Previous**	**High/Low**
Nov	105.10	105.95	105.50 105.15
Jan	107.50	108.20	108.00 107.80
Mar	110.05	110.95	110.75 110.05
May	112.25	112.25	112.25

Turnover Wheat 244 (151), Barley 62 (89).
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	419-413½	229-229½
Opening	416-419½	228-228½
Morning fix	416.19	227.886
Afternoon fix	418.40	229.273
Day's high	419¼-420¼	
Day's low	416-410½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	432-437	236-239
Britannia	432-437	236-239
US Eagle	432-437	236-239
Angel	428-433	233½-236
Krugerrand	418-421	228-230
New Sov.	98½-99¼	53¼-54½
Old Sov.	08½-99¼	53¼-54½
Noble Plat	571.95-578.55	313.45-317.05

Silver fix	p/fine oz	US cts equiv
Spot	332.05	606.50
3 months	342.50	621.05
0 months	352.05	633.95
12 months	372.65	663.40

CRUDE OIL $/barrel

	Close	Previous	High/Low
Jan	12.80	12.03	12.80 12.10
Feb	12.75	12.05	12.78 12.27
IPE Index	11.86	12.01	

Turnover: 3423 (1433)

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	128.75	121.25	127.50 122.00
Jan	125.00	118.25	126.50 119.00
Feb	123.25	118.25	124.00 117.25
Mar	120.75	113.75	121.00 115.00
Apr	118.25	111.50	116.70 112.75
May	115.00	109.50	117.00 110.75
Jun	114.25	108.80	115.00 108.75
Jul	114.50	110.00	114.50 112.50

Turnover 11128 (6827) lots of 100 tonnes

US MARKETS

THE ENERGY MARKETS were the days most active commodities as the OPEC meetings were said to be successful, reports Drexel Burnham Lambert. Crude oil prices advanced over 100 points in the midday. Volume for the day exceeded 100,000 in the crude oil. In the metals, prices gained in all markets as an oversold condition prompted short-covering. A weaker dollar and higher energy prices kept the metals firm for most of the day. Copper posted the largest gain advancing 830 in December. Sugar prices rose 49 in March as heavy fund buying elected commission house stops. Cocoa advanced 14 as commission houses were active. Coffee prices fell slightly in quiet trading. In the grains, wheat futures gained $¾ in December as the days most active market. Soyabeans and maize advanced slightly as cash prices reflected supply and demand levels. Fundamentals look for higher prices. In the meat markets, early trading was mixed despite a negative cold storage report. Belly and hogs were lower while cattle prices edged higher

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	417.7	415.8	0	0
Dec	418.1	416.5	421.1	417.7
Jan	420.7	410.1	0	0
Feb	422.9	421.3	426.0	422.5
Apr	426.3	426.6	431.0	427.7
Jun	433.7	431.0	436.0	432.5
Aug	439.4	437.8	0	0
Oct	445.1	443.3	0	0
Dec	450.7	448.9	453.5	450.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	564.8	555.3	571.0	560.0
Apr	564.9	555.5	570.3	561.9
Jul	565.6	558.3	570.0	565.0
Oct	568.1	559.3	574.0	570.0
Jan	572.3	563.8	579.0	579.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	608.1	501.0	0	0
Dec	607.5	602.5	614.9	605.0
Jan	612.1	607.0	019.0	613.0
Mar	622.2	616.9	629.0	620.0
May	631.9	626.3	639.9	631.0
Jul	642.0	636.1	649.0	642.0
Sep	651.8	645.7	0	0
Dec	666.9	660.5	675.0	670.0
Jan	671.7	665.2	0	0
Mar	683.1	676.4	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	148.80	139.70	149.00	149.00
Dec	142.80	134.50	143.50	131.30
Jan	136.00	128.50	0	0
Mar	122.80	116.40	123.50	114.30
May	111.00	109.00	111.00	107.20
Jul	106.00	105.00	106.00	104.30
Sep	104.00	103.00	103.00	102.50
Dec	102.00	101.00	102.00	100.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	14.29	12.98	14.40	13.44
Mar	13.77	12.77	13.77	13.23
Apr	13.77	12.77	13.77	13.24

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	4630	4347	4660	4430
Feb	4351	4151	4351	4230
Mar	4141	3941	4141	4020
Jul	3745	3546	3746	3746
Aug	3796	3596	3796	3796

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1439	1425	1455	1436
Mar	1492	1478	1508	1482
May	1483	1465	1499	1478
Jul	1482	1465	1495	1477
Sep	1488	1480	1455	1480
Dec	1500	1485	1515	1490
Mar	1522	1506	1526	1515

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	125.98	128.20	126.70	125.70
Mar	127.43	127.92	127.90	126.19
May	126.50	127.25	127.25	126.20
Jul	125.63	126.21	126.40	125.50
Sep	124.75	125.25	125.30	124.05
Dec	123.00	124.50	124.50	124.00
Mar	124.00	125.00	124.00	124.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	9.65	9.55	10.19	10.00
Mar	10.66	10.18	10.67	10.10
May	10.37	9.94	10.38	9.87
Jul	10.19	9.78	10.19	9.73
Oct	10.01	9.64	10.02	9.60
Jan	8.75	8.63	9	9
Mar	9.73	9.37	9.55	9.47

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	52.75	52.78	53.25	52.56
Mar	53.80	53.46	54.12	53.62
May	53.80	53.61	54.15	53.80
Jul	54.00	53.53	54.25	53.95
Dec	54.65	54.40	54.90	54.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	168.35	170.40	171.00	166.10
Mar	166.40	168.40	169.00	165.75
May	166.60	168.00	168.00	167.90
Jul	168.70	169.20	169.60	166.70
Sep	164.75	167.25	166.00	165.60
Nov	101.25	163.25	0	0
Jan	159.25	161.25	0	0
Mar	159.25	101.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 21	Nov 18	mnth ago	yr ago
1842.7	1830.5	1885.6	1700.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	132.04	133.10	135.24	129.72
Futures	136.14	136.53	139.53	133.13

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	750/6	746/2	754/0	743/4
Mar	763/0	758/0	766/0	756/0
May	767/4	763/0	770/4	761/0
Jul	767/2	762/2	770/4	760/4
Aug	758/4	754/0	763/0	753/0
Sep	717/0	715/0	722/0	712/0
Nov	691/2	683/4	695/0	687/4
Jan	698/0	699/0	705/0	696/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	21.71	21.62	22.03	21.65
Jan	22.03	22.18	22.30	21.94
Mar	22.55	22.69	22.75	22.47
May	23.97	23.20	23.20	22.95
Jul	23.52	23.65	23.75	23.45
Aug	23.65	23.77	23.80	23.65
Sep	23.82	23.95	24.00	23.80
Oct	23.85	24.19	23.05	23.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	247.8	242.7	248.5	242.0
Jan	248.1	242.8	249.3	243.0
Mar	245.9	241.9	246.3	241.7
May	241.2	236.7	241.5	236.9
Jul	235.2	231.5	235.5	230.5
Aug	229.0	225.7	230.5	226.5
Sep	224.0	220.5	224.0	212.0
Oct	215.0	210.5	215.9	209.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	262/6	251/0	264/0	261/2
Mar	271/6	270/0	272/6	270/0
May	275/6	274/0	276/6	274/0
Jul	276/4	274/4	277/4	275/0
Sep	262/6	261/0	262/6	251/0
Dec	255/2	253/0	256/0	253/6
Mar	259/6	257/6	9	9

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	415/0	408/2	416/4	405/0
Mar	418/6	415/2	420/0	413/0
May	403/0	398/4	404/0	397/6
Jul	379/6	377/6	380/0	377/0
Sep	385/0	384/4	386/0	384/0
Dec	394/4	393/4	394/4	392/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.77	72.55	73.10	72.60
Feb	72.57	72.17	72.77	72.20
Apr	73.72	73.62	74.05	73.65
Jun	72.35	72.22	72.55	72.17
Aug	70.25	70.15	70.50	70.10
Sep	68.60	68.50	0	0
Oct	69.12	68.50	69.55	69.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	39.75	39.86	40.20	39.65
Feb	42.70	42.62	43.22	42.60
Apr	41.82	42.15	42.55	41.75
Jun	45.87	46.65	46.65	45.62
Jul	46.20	47.30	47.10	46.10
Aug	45.77	46.40	46.30	45.05
Oct	42.30	43.50	43.12	42.30
Dec	44.97	45.00	44.97	44.40

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	42.37	42.40	42.95	42.15
Mar	42.77	42.95	43.50	42.75
May	44.66	44.60	44.82	44.25
Jul	45.65	45.95	46.25	45.50
Aug	44.52	44.97	45.30	44.52

LONDON STOCK EXCHANGE

US demand spurs rise in oil shares

UK EQUITIES remained in good form yesterday as the slowdown in other global centres ahead of the Japanese and US Thanksgiving holidays left London free to respond to a scattering of favourable developments inside the domestic market. A late feature, however, was the appearance of US buyers for the major oil shares.

The Queen's Speech to Parliament, setting out the Thatcher Government's plans for the new parliamentary session, re-affirmed the pledge to resist domestic inflation, but contained no surprises for the stock market. More encouraging for the market was the formal confirmation, as the City of London awaited the pricing today of the British Steel issue, of the Government's intentions to privatise the UK electricity and water industries.

The session opened firmly as London responded to the overnight recovery on Wall Street. The revised terms for the link-up of Lloyds Bank and Abbey Life were well received and Abbey shares traded heavily. As expected, there was buying of store shares as the bed and breakfast deals of the previous day were completed. A £100m fund-raising by Bank of Scotland was confined to preference shares, thus leaving equities unaffected.

A gain of around 10 FT-SE points in the first half of the session was trimmed as Wall Street seemed unwilling to extend its recovery in early deals. The late spurt of US support for oil stocks, reflecting reports that the Opec meeting in Vienna was close to a pricing agreement, and the accompanying rally in crude oil prices, restored London to the day's best levels. US institutions bought into Shell, attracted by the yield differential against the US oil majors.

At its final reading of 1821.3, the FT-SE Index showed a net rise of 10.2 points. Traders commented that the market is currently moving within narrow limits, and still awaits a convincing demonstration that the Bush Administration's policies towards the twin US deficits will ensure support for the dollar. With the US currency quiet ahead of the holidays in Japan today and in the US tomorrow, the UK's export blue chips made little move yesterday.

Equity turnover through the Seaq system jumped to 486.4m, from Monday's 359.4m, but was boosted by a handful of active stocks. Abbey Life and Lloyds Bank were busy, and the bed and breakfast activity in stores was joined by renewed demand for Storehouse, operator of the Habitat and Mothercare retail chains.

The underswell of speculative activity continued, although some of the names prominent recently were out of the spotlight. Plessey, Consolidated Gold Fields and Lonrho all recorded modest trading volumes and an absence of the fireworks of recent trading sessions.

Account Dealing Dates

*First Dealings:	Nov 14	Nov 28	Dec 12
Option Declarations:	Nov 24	Dec 8	Dec 22
Last Dealings:	Nov 25	Dec 9	Dec 23
Account Day:	Dec 5	Dec 19	Jan 3

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Nov. 22	Nov. 21	Nov. 18	Nov. 17	Nov. 16	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.29	88.33	88.21	87.94	88.06	90.46	91.43 (18/4)	85.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.00	96.87	97.18	97.11	96.98	95.73	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1487.3	1480.1	1489.0	1487.5	1477.1	1335.2	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	182.7	172.0	176.2	178.3	177.9	312.3	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.78	4.80	4.77	4.78	4.80	4.64				
Earning Yld %(full)	11.09	12.01	11.97	12.00	12.06	11.47				
P/E Ratio(Net)(*)	10.09	10.07	10.11	10.09	10.03	10.88				
SEAQ Bargains(5pm)	21,457	23,251	23,588	24,003	23,180	24,801				
Equity Turnover (£m)†	-	935.12	1213.52	1036.54	1088.85	956.23				
Equity Bargains†	-	23,729	25,760	23,958	23,112	26,332				
Shares Traded (ml)†	-	317.0	448.4	428.0	429.8	403.1				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1482.8	1484.5	1484.9	1485.5	1485.7	1484.9	1486.4	1486.6

DAY'S HIGH 1487.6 DAY'S LOW 1482.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 10.04 †Excluding intra-market business. *Corrected figure.

● S.E. ACTIVITY

Indices	Nov. 21	Nov. 18
Gilt Edged Bargains	93.2	100.9
Equity Bargains	153.7	166.9
Equity Value	1890.1	2452.8
5-Day average		
Gilt Edged Bargains	99.4	100.2
Equity Bargains	154.8	*161.8
Equity Value	2032.9	2147.3

● London Report and latest Share Index: Tel. 0898 123001

Abbey package revised

The market gave instant approval to the new terms agreed by Abbey Life and Lloyds Bank which the respective boards believe will overcome opposition to the original plans for a link-up of the two businesses. On turnover of 23m shares, Abbey easily topped the market's active list, closing a net 26½ higher at 294½. Lloyds Bank shares, also attracting strong support, jumped 11 to 335½p on turnover of 5m.

There were suggestions, however, that the substantial increase in Abbey turnover included the sale of a stake held by a major institution which had opposed the original deal.

The outstanding feature of the new package – and one which the market expect will win shareholder approval – is the offer to Abbey holders of a special 15p dividend in addition to a 32 per cent rise in ordinary dividends for this year; a 26 per cent rise in next year's payout is also planned.

Mr John Russell, insurance analyst at Prudential-Bache, described the latest development as "the original sweet deal – good for both Abbey and Lloyds; we would expect Abbey to be looking at per annum earnings per share growth in excess of 20 per cent."

Storehouse run

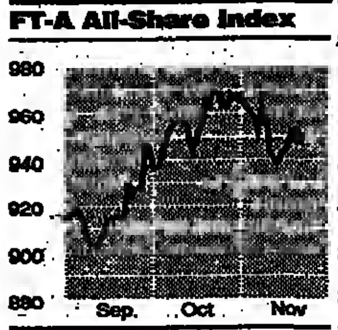
Storehouse, lame duck of the stores sector recently when it reported disappointing results, continued its recovery as a host of stories sent the shares 14 higher to 200p in much-expanded turnover of 17m.

Dealers said there were so many stories circulating that it was hard to pin them down. Suggestions that the Mountleigh property group had sold its near 3 per cent stake, fuelled hopes that a predator had entered the fray. One marketmaker was said to be aggressively bidding for stock on the inter-dealer broker screens. Contradictory talk of a dawn raid from Mountleigh this morning found fewer takers.

One old story met a surprising revival, when Hong Kong Wharf was mentioned as a possible stakebuilder. Some credibility was given to talk that Storehouse may be about to dispose of a line of shops to Marks and Spencer, worth a supposed £110m, but this too was described as old hat by dealers.

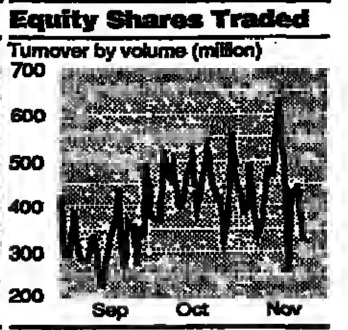
Trading was boosted early on by the second half of Monday's bed and breakfast deal as 2.4m shares went through shortly after 9am. Steady trading saw turnover mount through the day, before a flurry of late activity boosted it as dealers tried to cover their positions.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Courtaulds waits

Courtaulds tenderly edged away from the year's low point, although the market continued to show apprehension over news due today. The group is expected to unveil interim profits slightly lower than last year's £102.2m and analysts will be scanning the performances of the two operating divisions said to be most suspect. These are fibres, adversely affected by below-capacity working, particularly in the difficult acrylic area, and textiles which has suffered from import competition.

While most researchers are cautious about the short-term, they are divided on longer-term prospects. BZW takes the view that the shares are undervalued and that vulnerability to a bid remains a factor. "The trouble is that not enough people appreciate the quality of Courtaulds' management and businesses", says the team of Mr David Buck and Ms Julia Blake. On the other hand, Mr Lawrence Rubin of Kitcat & Aitken believes the shares do not justify their rating of nearly 8 times on the likely full year outturn of £200m, compared with £220m last time.

The oil and gas sector surged ahead during late trading with the majors heavily bought and second liners marked sharply higher as crude oil prices staged a major advance.Brent crude for December delivery rose $1 to $13 a barrel after the OPEC President was reported as having said the Vienna meeting could end tomorrow with an agreement on output.

BP old, where turnover jumped sharply to 9.8m, closed 2½ up at 245½p, and the new 2 to 143½p on turnover of 8.2m. Shell, driven up by heavy buying said to have emanated from the US, raced up 14 to 989p on turnover of 2.7m.

Calor was again well supported, closing a further 5 harder at 396p in front of today's interim results which BZW estimates could bring net income of £7m, against last time's £6.5m.

Goal, after revealing a £19.2m rights issue to help fund the acquisition of a 2.5 per cent stake in the Magnus oil field in the North Sea, settled a shade easier at 94p, after 91p.

The banking sector moved better on the coattails of Lloyds, with NatWest picking up significantly and settling 9½ higher at 547p on turnover of more than 4m shares; stories in the market suggested that a number of broking houses have moved the stock on to their buy lists. "There is talk of a short-term upside of perhaps 50p in NatWest", said one dealer.

Bank of Scotland jumped 7 to 357p after announcing it is raising £100m via a placing of preference stock. Analysts said the move would strengthen the bank's capital base.

TSB moved up 2¼ to 111p – "options-driven" was the story in the market. Merchant banks came under persistent selling pressure, with recent support for Morgan Grenfell said to have been withdrawn as the shares dropped to close 8 off at 307p. SG Warburg, scheduled to announce interim figures today – estimates are generally in the region of £49m to £52m – eased 4 to 310p.

The life sector was given a major shot in the arm by the Abbey Life developments. Pearl bounced amid hints that Larry Adler's FAI may have picked up some stock in the market. Prudential suffered momentarily from a "switch" operation, out of Pru into Abbey, but later drew sustained support and closed 1½ higher at 152½p on turnover of 4.7m.

"Switching" and "reverse switching" between General Accident and Guardian Royal kept the two stocks well up in the active issues list with the latter edging up 2½ to 182½p with more than 3m changing hands.

Third quarter figures from insurance broker Sedgwick were at the top end of the range and dealers marked the stock 3 higher to 215p – "underpinned by the yield: we don't foresee any problems with the dividend either this year or next," commented one analyst.

Despite several much-publicised downgradings by leading broking and research houses, the Stores sector enjoyed one its best days of recent weeks. Turnover was boosted by the activity in Storehouse and also by the completion of the large bed and breakfast trades begun on Monday night. Dixons was extremely well traded for its fall of 1½ to 138p, with 7.4m shares changing hands including a deal of 3m shares late in the session.

Woolworth rose 6 to 251p in much-improved turnover of 3.4m shares. One dealer was said to have had a large buyer recently, but the order is believed to have been filled yesterday and there was some late selling activity reported. The onset of vague bid talk was attributed to news of the bid for Woolworths in Australia.

Sears had a better day, rising 2 to 128½p after turnover of 4.1m, while Empire Stores ran 9 better to 227p, propelled according to dealers by short positions in the market and by vague surfacing of takeover talk. Turnover has been very thin in recent sessions and was thought to have been only average yesterday. N Brown rose 8 to 175p on trading hopes following poor recent sentiment.

Turnover in the electronics sector settled down to a much more sedate level after the heavy activity triggered by the GEC/Siemens bid for Plessey. The latter eased a fraction to 221¼p on turnover of 3.2m with Robert Fleming Securities altering its stance on the stock from "buy" to "strong buy."

Ferranti, 3½ up at 101p, topped the sector's turnover league with 8.3m traded. Racal lost 3 to 284p and STC the same to 277p.

BICC touched 390p prior to ending the session a net 6 higher at 389p; speculators revived well-worn stories that the group could possibly attract a bid from a handful of French companies, or perhaps RTZ.

Food issues suffered from lack of turnover, with dealers complaining that even recent stories looked tired. Ranks Hovis McDougall reported results in line with expectations, if perhaps slightly to the lower end of forecasts. The shares had already discounted the news and fell 2 to 364p as investors wondered where the stock will go from here. Turnover was 1.4m shares, uninspired by vague talk that more news of the Goodman Fielder stake may be imminent.

SW Berisford was marked up late in the session to end 13 higher at 414p, apparently on the grounds that AB Foods, up 4 to 324p, was again being touted as a bidder. Turnover of a meagre 448,000 shares suggested to dealers that there was not much substance behind the talk.

Eurotunnel continued to set a hot pace with a fresh rise of 9 to 410p, while T.I.P Europe improved to 161p. Commenting on the latter's first corporate move since February's flotation, County NatWest WoodMac says: "The acquisition puts it into the number one spot in the Benelux countries, will be non-dilutive this year and will enhance next year's numbers".

Supported by net asset value attractions, the Property sector turned in one of the day's better performances. British Land, aided by renewed speculation of possible predatory action, rose 7 to 380p, while Hammerson "A" gained 15 to 675p. Shaftesbury stood out among secondary stocks, rising 7 to 185p following bumper profits and a property revaluation.

Estate Agencies found the atmosphere cooler, being influenced by the redundancies at Bairstow Eves (BE), one of the largest agents in north London and Essex. BE is part of the national chain of Hambro Countrywide, which slipped 2 to 68p.

BAT Indnstries met an evenly balanced trade ahead of the third-quarter figures due today, and ended unchanged at 443p. Markets estimates centre around profits of £360m giving a nine-month total of £1,060m, compared with £961m last time.

London Merchant Securities bounced 5 to 107p on news that Westpool Investment Trust had raised its stake to 51.2 per cent while GPG hardened to 51p after annual results. Mercury Asset Management fluctuated narrowly awaiting today's interim statement which County NatWest WoodMac forecast will reveal profits of around £15m against £24m last time.

Incheape drew closer inspection following a circular from Hoare Govett. The securities house is positive on the stock and says: "Despite strong earlier performance, the share rating remains extremely low. This is inconsistent with the greatly improved shape of the group and the exceptional growth opportunities it faces." The shares replied with a rise of 4 to 214p.

A report that Lonrho could intervene in the Plessey situation was not taken too seriously, as indicated by the lowest daily turnover for some considerable time.

Turnover in Traded options reached 38,188 contracts – well above mid-summer levels, but average on more recent comparisons – but was again notable for the high share taken by dealings in the FT-SE 100 index, which reached 8,263 matched contracts on count immediately on the close. Overall calls came to 22,888 contracts, and puts to 15,300, with index calls amounting to 2,750 and puts to 5,513.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 31

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	886	145½	+½
Abbey Life	22,550	294½	+26½
Allied-Lyons	696	472	+1
Amstrad	2,500	173½	+½
Argyll Group	77	164½	-½
As. Brit. Foods	127	324	+4
BAA	312	276½	
BAT	2,150	443	
BET	633	230	+1
BICC	532	389	+6
BOC	1,200	417	+2½
BPB Inds.	845	256	
BTR	1,100	287½	+1
Barclays	383	417	+2½
Bass	75	798	+1
Beazer	1,400	178½	+2
Beecham	724	463	+2
Blue Arrow	1,930	91½	+½
Blue Circle	586	439	+3
Boots	2,300	228	-½
British Airways	4,600	158½	
Brit. Aerospace	573	471	
Brit & Comm.	2,400	229	+1
British Gas	5,000	161½	+1
British Land	2,400	380	+7
BP	9,550	245½	+2½
British Telecom	3,800	253¼	-1
Burmah Oil	390	513	-1
Burton	5,900	187	+½
Cable & Wireless	1,500	362	+1
Cadbury Schweppes	1,900	335½	+1½
Coats Viyella	1,400	173	+1½
Commercial Union	656	325	+5
Cons. Gold Fields	52	412	
Cookson	1,300	268	+5
Courtaulds	1,400	278	+3½
Dalgety	417	309	+1
Dixons	7,325	138	-1½
Eng. China Clays	283	484½	+2½
Enterprise Oil	877	517	+3
FKI Babcock	404	133	+1
Fisons	1,100	244	
Gateway Corp.	423	163½	-½
General Accident	663	828	-½
General Elec.	1,800	176	+½
Glaxo	1,300	£10⅝	+½
Globe Inv.	1,200	143½	-½
Glynwed Int.	1,400	297	-3
Granada	877	332	
Grand Met.	1,900	454	+2
GUS A	29	£18¼	
GRE	2,500	182½	+2½
GKN	121	317½	+1
Guinness	166	334	+1
Hammerson "A"	573	675	+15
Hanson	7,350	149	+½
Harrisons & Cros.	561	487	-1
Hawker Siddeley	571	548	
Hillsdown Hldgs	3,800	266	
IMI	901	203	+1
Imp. Chem.	622	£10¼	+⅛
Inchcape	2,400	214	+4
Jaguar	702	266	-2
Ladbroke	845	449	+4
Land Securities	660	595	+3
Laporte	305	397	+3
Legal & General	244	295½	+4
Lloyds Bank	4,685	335½	+11
LASMO	1,400	484	+1
Lonrho	1,300	393	
Lucas	93	566	-1
MB Group	1,400	271	+1
MEPC	427	581	+2
Marks & Spencer	2,600	153½	+2
Maxwell Comm.	567	199	
Midland Bank	1,150	409	+5
Nat. West. Bank	4,000	547	+9½
Next	1,900	166	+2
Northern Foods	455	290	-1
Pearson	69	703	+1
Pearl	546	411	+6
P & O	84	570	+1
Pilkington	626	225½	+1½
Plessey	3,187	221¼	-½
Prudential	4,701	152	+1
Racal	2,300	284	-3
Rank Org.	128	728	+2
RMC	240	510	+3
RHM	1,400	364	-2
Reckitt & Colman	296	919	+6
Redland	415	428	+7
Reed International	365	403	+1
Reuters "B"	349	472	+1
RTZ	458	446	+1
Rolls Royce	900	133½	
Rothmans	452	467	+3
Royal Bk of Scotlan.	338	357	+5
Royal Insurance	729	368	+4
STC	2,100	277	-3
Saatchi & Saatchi	379	355	+1
Sainsbury	344	206½	+1½
Scott & Newcastle	485	393	+1
Sears	4,100	128½	+2
Shell Transport	2,450	989	+14
Siebe	451	399	+1
Slough Ests	265	323	+1
Smith & Nephew	653	119½	-1
Standard Charte	73	472	+1
Storehouse	17,087	200	+14
Sun Alliance	246	996	
T&N	816	179	+1
TSB	3,780	111	+2¼
Tarmac	565	236	+1
Tate & Lyle	355	648	+5
Tesco	612	135½	+1½
THORN EMI	986	672	+2
Trafalgar House	664	315	+2
Trusthouse Forte	2,000	267	+1
Ultramar	950	243	+1
Unilever	346	459	
United Biscuits	674	298	-1
Utd Newspapers	84	403	+4
Wellcome	602	458	+2
Whitbread "A"	157	291	
Williams Hldgs.	737	255	+1
Wimpey	381	243	+1
Woolworth Hldgs.	3,390	251	+6

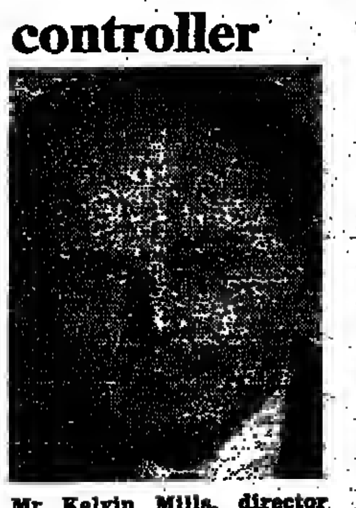
NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (—). BANKS (2) Fuji Bank, M'bishi Bank, BUILDINGS (2) Hewetson 7pc Cnv Prf, Intl Amco, CHEMICALS (1) Chemoxy, STORES (1) Cramphorn, ELECTRICALS (4) First Technology, Menvier-Swain, Microvitec, Sanderson Elect., ENGINEERING (3) Ash & Lacy, Booth Inds., Davy Corp., FOODS (3) Batleys, Low (Wm.), Meat Trade Sup., INDUSTRIALS (7) Brit. Bloodstock, Charter Cons., Cosalt, Eurotunnel Units, Nu-Swift, Serco Grp., Shanks & McEwan, INSURANCE (1) Taisho M EDR, LEISURE (2) Airtours, Cityvision, Virgin Grp., MOTORS (1) Central Motor Auctions, NEWSPAPERS (2) Collins William, Do. "A", PROPERTY (5) Bilton (P.), Brit. Land, London Shop, Do. 9pc Cnv '94-98, Do. 9¼pc Cnv 1999-2004, TEXTILES (1) Palma Grp., TRUSTS (2) Law Debenture, Murray Ventures, MINES (2) Meekatharra, Young Grp.

NEW LOWS (42). AMERICANS (4) Data General, Houston Inds., Texas Inst., USX, CANADIANS (1) Denbus Res., BUILDINGS (1) Ward Hldgs., STORES (1) Dixons Grp., ELECTRICALS (1) Sherwood Comp., FOODS (1) Global Grp., INDUSTRIALS (6) Bluebird Toys, Kleen-E-Ze, Laidlaw Thomson, Page (Michael), Sharp & Law 8½pc Cnv Prf, Thomson T-Line, INSURANCE (2) American Intl., NZI Corp., PAPERS (2) Brunning Grp., Horne (Robert), PROPERTY (5) INOCO, Rockfort Grp., Savills, Shield Grp., Trust of Prop., TEXTILES (1) Text'rd Jersey, TRUSTS (1) Siam Fund, OILS (2) Norsk Hydro, Sandpiper Oil, OVERSEAS TRADERS (2) Nesco Invs., Utd. Plants. Africa, MINES (11) East Rand Prop., Bracken, Cons. Mod'fein, Western Areas, Clogau Gold, Brunswick, Nth. Kalgurli, Paragon Res., Pelsart Res., Butte Mining, Homestake Mining, THIRD MARKET (1) Dana Expln.

APPOINTMENTS

TSB credit controller



Mr Kelvin Mills, director (commercial banking), TSB ENGLAND & WALES, has been appointed to the newly-created post of director - credit management at TSB Group.

■ Mr William Greaves Underwood has been appointed an executive director of MAJEDIE INVESTMENTS. He was a director of Riggs A.P. Bank.

■ Mr John Parry has been promoted from engineering manager to engineering director of HAWKER SIDDELEY subsidiary South Wales Switchgear.

■ Mr James Bewley has been promoted from general manager to managing director of ROBINSON WILLEY. Mr Philip Scott has been promoted to financial director. He is company secretary.

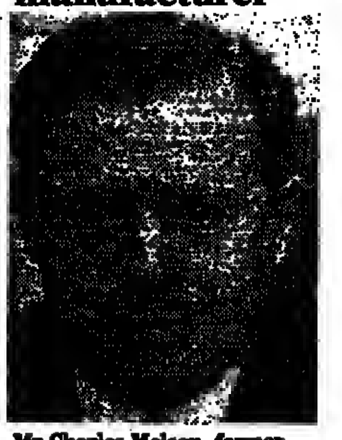
■ NFC CONTRACT DISTRIBUTION has appointed Mr Andrew L. Wood as development director. He was managing director (Europe) of Worldwide Chain Store Systems.

■ Mr Taro Yamada, managing director of YAMAICHI SECURITIES CO., in Tokyo, has been appointed chairman of Yamaichi International (Europe), London. He is also chairman of Yamaichi International (America) Inc., in New York, and Yamaichi Securities' managing director for Europe and the Middle East, and for the Americas. Mr Hitoshi Tanaka, managing director with responsibility for the European and Middle Eastern operations of Yamaichi Securities Co., London, is returning to Tokyo. Mr Tanaka, who is also deputy chairman of Yamaichi International (Europe), will take charge of the group's corporate finance operations, as managing director of Yamaichi Securities Co., Tokyo.

■ Mr Clyde Anderson, southern area sales manager, has been promoted to sales director of CRONITE PRECISION CASTINGS.

■ Mr Jim Anderson has joined FAIRVIEW NEW HOMES as a building director. He was managing director of YAY International.

Green wellies manufacturer



Mr Charles Mclean, former group managing director of Stoddard Holdings, has been appointed director of the footwear division of THE GATES RUBBER COMPANY, Dumfries, maker of the well-known green Hunter wellington boots.

■ ELECTROCOMPONENTS has appointed Mr Norman F.W. King as marketing director of the group from December 1. He was managing director of subsidiary RS Components. Dr Neil M. Coutts, who joins from Mars, succeeds him at RS.

■ Mr John Shaw has been appointed financial services director of PRIVATE CAPITAL ESTATES, a subsidiary of The Private Capital Group, part of the Scandinavian Bank. He was financial services director, London region, of Prudential Property Services.

■ Mr Bob Sherrard has been appointed engineering director at WORCESTER CONTROLS, a subsidiary of BTR. He joins from the Delta Group.

■ NICO CONSTRUCTION has appointed to the board Mr Anthony H. Lawson, who was with Intercraft Designs, and Mr Michael Phelan, who was assistant contracts director.

■ Mr Nick Jones has joined MLB, Bristol, as finance director. He was finance director of the British Magazine Publishing Corporation.

■ The new board of SHARP & LAW will comprise Mr Peter Taylor and Mr Norman Robinson, joint managing directors; Mr Ken Rawlinson, managing director of Multiflex; and Mr Nigel Wilson of Allplan.

■ TI BAINBRIDGE SILENCERS has appointed Mr Bryan Partridge as sales director. He was sales and marketing director for the tubes division of Brasway.

■ Mr Alan J. Cole has been appointed group chief executive of WALTER ALEXANDER, Falkirk. He was managing director, food services Europe, with Christian Salvesen.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

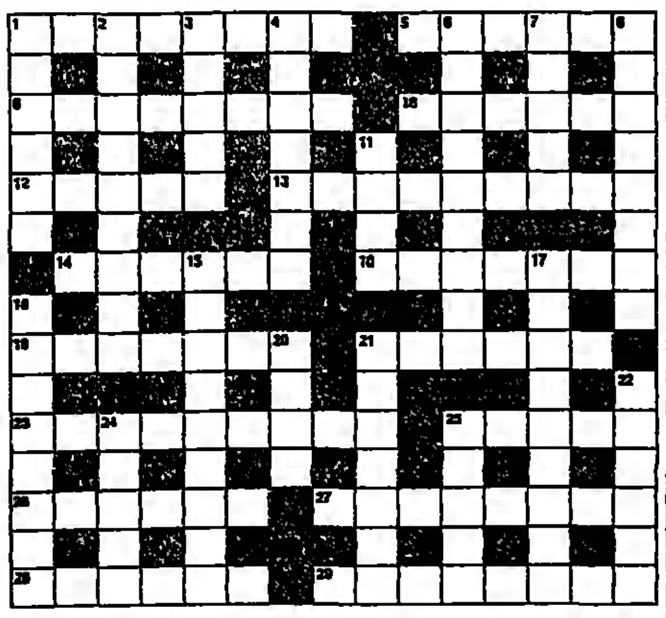
London & Manchester (Tst Mgmt) Ltd (1000)H

Winslade Park, Exeter EX5 1DS 0392 282673

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
American	5	27.40	27.71	29.42	-0.21	0.8
General	5	48.21	48.36xd	51.54	-0.09	3.6
Income	5	44.89	45.25	48.05	-0.08	5.6
International	5	33.56	33.87	35.94	-0.18	1.0
Japan	5	49.71	50.00	53.06	+0.12	0.0
Tst of Inv Trusts	5	35.73	36.23xd	38.53	-0.04	2.0

CROSSWORD

No. 6,793 Set by QUARK



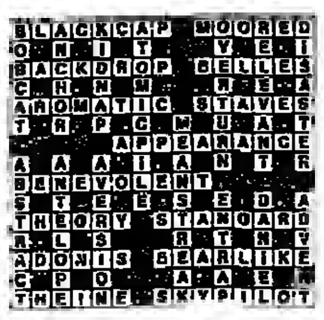
ACROSS

1, 5 Favourite meeting-place making one footsore? (8,6)
9 The country lover's a terrible liar when in decline (8)
10 Area of brain not quite situated alone (6)
12 This means tennis is off for nine players .... (5)
13 ..... but this is complete with an extra four or six! (5,4)
14 Verdi upset a learner? That's nonsense (6)
16 Shock about engineer manufacturing a weapon (4,3)
19 To sum up, Edna's confused. Could be all the supplements! (7)
21 Act with bias in cast? It's been fortified (6)
23 Atmosphere recalled in current dealing with insurance? (9)
25 Old boy in RAC rally could be described as king (5)
26 Kind of card to believe? (6)
27 Stepped on it to work (8)
28, 29 Sunny event in June? (6,8)

DOWN

1, 18 Masses can be found by them to settle in certain seasons (6-8)
2 Plant produced marvellous things in Egypt (6,3)
3 One's included in a plan or guide (5)
4 Organ has this as opening feature (7)
6 Unfortunately deny me run in royal meeting-place (9)
7 Drain-trap (universally on the underground?) (1-4)
8, 22 There could be pressure to use this safety device (4,4,6)
11 Wise people not the first for a long time (4)
15 Wilfully destroy vehicle laid out in Kent? (9)
17 Once worn it's now often eaten (9)
18 See 1 down
20 Religious instruction in the present day can be dry (4)
21 Ron's tipsy having swallowed a drink (port) (7)
22 See 8
24 Heating unit in another medium (5)
25 Order form (5)

Solution to Puzzle No.6,792



GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

Swiss Life-Pen Tst Man Co Ltd (1000)H
99-101 London Rd, Sevenoaks 0732 450161

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity Dist	5	326.4	330.7xd	349.9	+0.6	3.18
Equity Acc	5	424.0	429.7	454.7	+0.9	3.18
Fixed Int Dist	5	114.2	115.9xd	120.1	—	9.45
Fixed Int Acc	5	210.7	213.7	221.4	-0.1	9.45

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	91.32	92.19	98.0[illegible]	[illegible]	[illegible]
Do Accum	6	98.02	98.89	105.20	-0.74	[illegible]
TSB Brit Growth	6	53.85	53.85	57.29	-0.15	[illegible]
Do Accum	6	56.35	56.35	59.95	-0.16	[illegible]
TSB European	6	51.44	51.44	[illegible]	-0.17	[illegible]
Do Accum	6	52.04	52.04	[illegible]	-0.17	[illegible]
TSB Extra Income	6	146.19	149.95	[illegible]	-0.32	[illegible]
Do Accum	6	186.69	192.78	[illegible]	-0.16	[illegible]
TSB Smaller Cos	6	53.50	53.50	56.91	-0.31	[illegible]
Do Accum	6	54.45	54.45	57.93	-0.32	[illegible]
TSB General	6	176.46	176.46	187.72	-0.54	[illegible]
Do Accum	0	305.44	305.44	324.94	-0.92	[illegible]
TSB Premier Income	5	47.39	47.85xd	49.94	-0.02	[illegible]
Do Accum	5	72.74	73.44xd	76.50	-0.05	[illegible]
TSB Income	6	267.40	267.40	[illegible]	-0.64	[illegible]
Do Accum	6	446.96	446.96	475.49	-1.06	[illegible]
TSB Pacific	6	209.77	213.03	226.63	-1.09	[illegible]
Do Accum	6	218.09	221.49	235.63	-1.14	[illegible]
TSB International	6	316.77	316.77	[illegible]	-0.70	[illegible]
Do Accum	6	400.27	400.27	425.82	-0.89	[illegible]
TSB Nat. Resources	0	57.60	58.70xd	62.51	-0.10	[illegible]
Do Accum	6	61.05	62.20	[illegible]	-0.10	[illegible]
TSB Spcl Opps	6	79.23	79.23	[illegible]	-0.36	[illegible]
Do Accum	6	90.46	90.46	[illegible]	-0.40	[illegible]

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin. 0296 394000 Dealing: 01-379 0060

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	57.93	57.93	61.88	+0.09	3.37
Australia	5	7.128	7.128	7.612	[illegible]	0.10
Commodity	5	72.95	72.93xd	78.60	+0.02	0.63
Convertible	5	141.5	141.5xd	152.5	+0.2	5.01
Equity	5	152.6	152.6	163.9	+0.1	3.19
Euro Spec Sits	5	80.70	80.70	86.81	-0.04	1.57
Financial	5	30.07	30.07	32.40	—	2.10
Global Opps Inc	5	54.32	54.32xd	58.31	-0.14	0.44
Global Opps Acc	5	54.73	54.73	58.95	-0.14	0.44
Gold Income	5	44.73	44.73xd	48.09	—	0.00
Gold Acc	5	82.39	82.39	88.50	—	0.00
Income	5	104.4	104.7	112.7	+0.6	4.50
Japan	5	126.1	126.1	135.8	-0.1	0.00

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Oct 31	211.95		—	5.79
Equity Oct 31	714.70		—	3.98
Fxd Int Sec Oct 31	100.70		—	9.98

* Available only to Local Authorities

MIM Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens (Acc)	95.2	98.8	-0.1	0.80

Murray Johnstone UT Mngmt
Money Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Nov 23	36.3	37.7	-0.5	2.49
Euro Expt Nov 23	41.2	43.2	-0.5	2.52
Fixed Int Ex Nov 23	49.5	51.8	-0.1	9.69
Japan Expt Nov 23	57.3	59.6xd	+1.8	0.58
Managed Ex Nov 13	38.4	39.9xd	-0.0	4.81
SE Asia Expt Nov 23	33.7	35.3	-0.2	2.12
Sm Cos Expt Nov 23	43.6	45.7xd	+0.3	2.40
UK Eqty Ex Nov 23	35.5	37.2	+0.3	4.44

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property	191.5	209.31	—	—

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
PDFM Small Co Fd(U.D.)	815.0	861.0	—	3.05
Do Accum	842.0	889.0	—	3.05
PDFM Int Expt Nov 13	119.3	121.2xd	—	2.60

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	93.66	94.73xd	—	2.92

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy Nov 11	—	145.41	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	259.8	273.5	-0.3	—
Equity Ser. 1	113.1	119.1	-0.3	—
Prop. Acc. Ser 2	388.0	408.5	+0.3	—

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	54 1	56 9	+0.1	-
Stock Market Mngd Fund	51 6	54.3	-0 1	-
Equity Fund	55.6	58 6	-0 1	-
International Fund	48 1	50 6	-	-
European Fund	49 1	51 6	-0 3	-
North American Fund	41 4	43.6	-0 3	-
Pacific Fund	61.0	64.2	+0 4	-
Property Fund	67.5	71.0	-	-
Fixed Interest Fund	52 5	55.3	-	-
Index linked Sec Fund	53.3	56 1	-	-
Deposit Fund	54 9	57.8	-	-
NUAM Retirement Plans				
Mixed Fund	57 7	60 7	-0 2	-
UK Ordinary Share Fd.	64 5	67.9	-0.4	-
International Fund	49 4	52.0	-	-
Property Fund	65 7	69 2	-	-
Fixed Interest Fund	57 1	60.1	-	-
Index Linked Sec Fund	54.6	57.5	-	-
Deposit Fund	59.2	62.3	-0 1	-
NUAM (MF)				
Managed Fund	754 5	794.3	-0 9	-
Equity Fund	1503.3	1582.5	-3.3	-
Property Fund	425 0	447 4	-	-
Fixed Interest Fund	391.5	412.2	-0 4	-
Deposit Fund	224 7	236 6	-0.1	-
International Fund	125 4	133 1	-	-
Index Linked Sec Fund	54 0	56 9	-	-

Norwich Union Life Insurance Soc.
PO Box 149 Norwich NR1 3NG 0603 622200

Unitised Pensions	Bid Price	Offer Price	+ or -	Yield Gross
With Profits Fd	108 30	114 00	-0 04	-
Managed Fd	116.52	122 65	-0.31	-
UK Equity Fd	119 40	125 68	-0.78	-
International Fd	117 43	123 61	-0 21	-

Providence Capital Life Assc. Co Ltd - Contd.

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

IoM AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	99	Treas 11½pc 1989	99		11.52	11.74
101	98	Treas 9½pc Cnv 1989	99		9.58	11.55
97	95	Treas 3pc 1989	97¼	+⅛	3.09	9.57
102	99	Treas 10½pc 1989	99	+⅛	10.56	11.61
[illegible]	98	Exch.10pc 1989	98	–⅛	10.11	11.69
[illegible]	99	Exch 11pc 1989	99		11.05	11.52
97	94⅞	Treas 5pc 1986–89	95	+⅛	5.22	10.05
104	98¼	Exch 10½pcCv '89	99		10.31	10.83
107	101	Treas 13pc 1990‡‡	102	–⅛	12.73	10.86
[illegible]	99	Exch 11pc 1990‡‡	100	–⅛	10.98	10.79
107	101	Exch. 12½pc 1990	101	–⅛	12.26	10.90
93	90	Treas. 3pc 1990	91		3.27	9.22
99	95	Treas 8¼pc 1987–90‡‡	96	–⅛	8.55	10.74
102	95¼	Treas. 8pc Cv 1990 ‡‡	98	–⅛	8.17	9.35
103	98	Treas. 10pcCv 1990	98	–⅛	10.13	10.73
91	87	Exch 2½pc 1990	88	+⅛	2.82	8.80
107	101	Treas 11¾pc 1991	101	–⅛	11.55	10.77
95	90	Funding 5¾pc '87–91‡‡	91½		6.32	10.12
90	86	Treas. 3pc 1991	87	+⅛	3.42	8.68
105	98	Treas 10pc Cv '91 ‡‡	99	–⅛	10.03	10.14
107	100	Exch. 11pc 1991	101	–⅛	10.88	10.55
98	92	Treas. 8pc 1991	93	–⅛	8.55	10.53
115	105	Treas 12¾pc 1992‡‡	106	–⅛	12.01	10.38
104	98	Treas 10pc 1992	99	–⅛	10.10	10.35
98	92¼	Treas. 8pc 1992 ‡‡	93	–⅛	8.58	10.40
105	99½	Treas 10½pc Cv 1992‡‡	100	–⅛	10.46	10.37
86	82¼	Treas. 3pc 1992	83		3.58	8.36
112	104	Exch. 12¼pc '92	105½	–⅛	11.62	10.44
117	108	Exch 13½pc 1992	109	–⅛	12.33	10.42
97	91¼	Treas 8¼pc 1993	93	–⅛	8.87	10.31
105	97	Treas 10pc 1993‡‡	99	–⅛	10.07	10.19
115	107	Treas 12½pc 1993‡‡	108	–⅛	11.58	10.29
93	87	Funding 6pc 1993‡‡	87½	+⅛	6.86	9.29

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Undated

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
44	41	Consols 4pc	44½	+⅛	8.99	–
40	37	War Loan 3½pc‡‡	40	+⅛	8.75	–
62	48	Conv. 3½pc '61 Aft.	62	+½	5.65	–
33	30	Treas. 3pc '66 Aft.	33	+⅛	9.09	–
28	26¼	Consols 2½pc	27	+⅛	8.99	–
28	26¼	Treas. 2½pc	27	+¼	8.99	–

Index–Linked

1988 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
124	117½	Treas 2pc IL '90(84.6)	123¾	–⅛	0.97	3.35
105	99	Do 2pc '92‡‡(97.8)	104	–½	2.46	3.31
96	92½	Do. 2 '94 (102.9)	95	–⅛	3.09	3.60
142	127½	Do. 2pc '96(67.9)	140	–½	3.17	3.54
121	103	Do 2½pc '01(78.3)	118	–½	3.47	3.73
118	101	Do. 2½pc '03(78.8)	116	–½	3.55	3.77
120	102	Do. 2pc '06(69.5)	120¼	–½	3.59	3.78
113	95	Do. 2½pc '09(78.8)	110	–½	3.59	3.77
117	99	Do. 2½pc '11(74.6)	115	–½	3.59	3.76
97	82	Do. 2½pc '13(89.2)	95	–½	3.60	3.76
105	88	Do. 2½pc '16(81.6)	103¼	–½	3.55	3.70
103	87	Do. 2½pc '20(83.0)	101	–½	3.50	3.63
87	73	Do. 2½pc '24‡‡(97.7)	85	–½	3.47	3.59

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1988:104.1 and for October 1988:109.5

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45		3.50	f7.78
45	33	Do. 6pc 28 Stb. Ass.	45		3	f6.67
45	33	Do 4pc Mixed Ass.	45		2	f4.44
77	63	Hong. '24 Ass.	65		2.75	f3.57
140	128	Hydro Quebec 15pc 2011	136	–⅛	15.00	10.65
131	118	Iceland 14½pc Ln 2016	125	–⅛	14.50	11.39
101	94½	Ireland 9¾pc '91–96	98		9.75	10.10

AMERICANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
29½	22¼	Abbott Laboratories‡	24	–⅛	$1.20	–	2.7
649p	360p	Allegheny & W 1c	365p		30c	–	4.5
14	8	Amax $1	12½	–¼	020c	–	0.9
15	8	Amdahl 5c	965p	–27½	h10c	–	0.6
31	22	Amer. Cyanamid $5	24¼	–⅛	$1.20	–	2.7
17	11¼	Amer. Express 60c	14	–⅛	76c	–	2.9
10	668p	Amer. Medical Int. $1	863p	–12	‡72c	–	4.5
17	11	American T. & T. $1	15	+⅛	$1.20	–	4.3
56½	44	Ameritech $1	50	–½	$5.40	–	5.9
28½	16½	Amfac‡	27		–	–	–
19	15	Anheuser-Busch $1	16	–⅛	72c	–	2.4
10	360p	BankAmerica $1 &	937p	–25	–	–	–
24	16	Bankers N.Y. $1	20	–⅛	$1.86	–	5.1
43	34¼	Bell Atlantic $1	38½	–¼	$4.08	–	3.9
25	19	BellSouth Corp.	21½	–⅛	$2.36	–	6.1

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS – Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27½	19⅞	Texas Instr. $1	19⅝xd	–⅛	72c	–	2.1
70⅞	43¾	Time Inc. $1	54⅞xd	–⅜	$1.00	–	1.0
21½	15⅞	Transamerica $1	16⅞xd	–¼	$1.84	–	6.0
20⅛	11½	TRINOVA Corp.	13¼xd	–⅛	64c	–	2.6
19	10⅝	USX $1	14⅛	–⅛	$1.40	–	5.4
24⅞	17⅞	Utd. Technologies	21⅛xd	–¼	$1.60	–	4.1
34⅝	26¾	US West‖	30⅛	.....	$3.52	–	6.3
24⅞	16⅞	Waste Management $1	21⅛	–⅛	48c	–	1.3
16⅞	12⅞	Whirlpool $1	13⅝	–⅛	$1.10	–	4.5
33⅛	18¼	♦Woolworth $3½	27⅝	.....	$1.64	–	3.3

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

1988 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	210	HTV Ord		285	–2	11.7	3.6	5.5	6.8
130	45	Hanimex A$0.25		130	+6	Q15c	♦	5.6	♦
[illegible]	142	Hi-Tec Sports	y	142	.....	13.6	3.4	3.4	10.3
[illegible]	14	Int'l Media Cons. 5p	y	17½	–½	–	–	–	–
[illegible]	49	Juliana's Hldgs 2p	y	78	–1	†2.85	1.4	4.9	17.1
[illegible]	32	Kunick 10p		42	.....	†1.0	2.4	3.2	16.7
[illegible]	122	LWT 5p		181	–1	3.7	♦	4.3	♦
[illegible]	183	LandLeisure 10p	α	378	.....	♦8.0	4.6	2.8	10.0
[illegible]	68	Leisure Inv 10p	α	91xd	.....	1.75	♦	2.6	♦
[illegible]	64	Leisuretime Int 10p	y	65	.....	–	–	–	–
[illegible]	235	Marina Dev. 50p	y	393	–5	1.0	3.5	0.4	73.0
[illegible]	157	Mecca Leisure 10p		173	.....	K4.5	2.3	3.5	17.2
127	79	Medminster 10p	y	123	.....	3.67	2.6	4.1	12.8
182	126	Midsummer Lels 10p		178	+1	†1.6	3.1	1.2	29.8
460	205	Miles World 10p	y	425	.....	8.0	2.6	2.5	20.9
62	32	Multimedia Visions 5p		47	–1	–	–	–	27.1
145	120	Noble Raredon 5p	y	125	.....	†1.33	1.5	1.4	61.8
29	17	Pacificorp Inv NZ$0.5		28	.....	Q2c	3.5	3.5	4.7
169	87	Orient Ex Hlds $0.125		111	.....	–	–	–	–
*89	61	Owners Abroad 3p		87	.....	g2.1	1.9	3.2	26.2
350	218	Pavilion Leisure 10p	y	310	.....	–	–	–	–
211	55	P'dilly Radio NV 5p	y	176	–10	3.25	♦	2.5	♦
264	175	Pickwick		234	.....	12.6	2.9	1.5	30.6
*262	147	Pleasurama 5p		258	.....	♦16.0	2.4	3.2	14.8
*233	195	Do. 7pcCnCnRedPf	y	231	–1	7%	–	4.0	–
[illegible]	114	Prestwich	α	127	–1	1.25	♦	1.3	♦
[illegible]	78	Prism Leisure 10p	y	141	.....	4.46	2.5	4.2	11.9
[illegible]	133	Quadrant Group 10p	y	247	+1	♦3.6	3.4	2.0	20.9
[illegible]	97	Radio City 'A' NV	y	345	–7	6.0	♦	–	♦
[illegible]	89	Radio Clyde	y	256	–5	†4.25	2.8	2.5	21.5
[illegible]	[illegible]	Really Useful Grp 5p	y	529	+3	15.0	2.3	3.8	15.4
[illegible]	169	Saga Group 20p		234	.....	†4.6	1.2	2.6	40.2
[illegible]	78	Scott. Ice Rink 2½p	y	89	–1	–	–	–	–
[illegible]	343	Scott. TV 10p		370	.....	†17.0	3.0	–	7.3
[illegible]	15	SelecTV 10p		15	.....	b–	–	–	–
[illegible]	26	Spectrum 5p	y	35	.....	–	–	–	25.6
[illegible]	197	Stanley Leisure	y	275	.....	3.6	3.8	1.7	20.0
[illegible]	85	Sunset & Vine 5p	y	125	–1	L2.4	2.9	2.6	15.6
[illegible]	62	TSW 5p		70	.....	3.15	2.6	6.0	8.6
[illegible]	129	TV-am 5p		155	–2	†4.5	3.6	3.9	9.6
[illegible]	286	TVS Entertain 10p		313	.....	†12.5	2.9	5.4	8.4
[illegible]	101	Do. 7.4pc Prf	y	109	+1	7.4%	–	9.1	–

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

1988 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
38	8½	Norton Group 5p	y	13	.....	–	–	–	–
59	27	Ovoca Gold IR 2p	y	27	.....	–	–	–	–
38	18	Pennant Grp. 2p	y	19	.....	d0.2	–	1.4	–
51	40	Pennine Optical 2½p	y	40	.....	–	–	–	10.8
60	33	Propeller 1p	y	43	–1	–	–	–	20.8
63	60	Rentaminster 5p	y	61	.....	u1.0	4.3	2.2	14.3
237	150	Royal Sovereign 10p	y	203	–2	†4.6	1.9	3.0	19.0
26	20	Scott Pickford 10p	y	20½	.....	3.1	0.7	20.2	10.6
116	68	Seacon Hldgs	y	98	.....	Z1.0	–	1.4	–
15½	7	Sonic Tape 2½p	y	8	.....	a–	–	–	10.5
27	18	Stats Hldgs 5p	y	19	–1	–	–	–	22.5
4½	2¾	Suranyard Studios 1p	y	3¼	.....	–	–	–	♦
[illegible]	200	Takare		308	+10	b1.0	8.1	0.4	31.6
[illegible]	26	Tomorrows Leisure 20p	y	30	+1	–	–	–	14.9
[illegible]	13½	Tullow Oil 10p	y	22	+1	–	–	–	–
[illegible]	105	UPL Group 10p	y	110	.....	L2.41	4.3	2.9	14.8
[illegible]	120	Unit Group	y	149	+6	F7.5	2.9	6.8	8.3
[illegible]	85	Video Tape Res 5p	y	111xd	.....	2.5	♦	3.0	♦
6½	2	Wilton Group	y	6	+¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, y Gamma

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✯ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xcd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or –
Albany Inv 20p	y	71	.....
Craig & Rose £1	y	780	.....
Finlay Pkg. 5p	y	85	–1
Holt (Jos) 25p	y	£11½	.....

IRISH

Stock		Price	+ or –
Cap. 8½% Ln. 1991		£99⅝	.....
9pc Cap Ln. 1996		£103¼	.....
Fin. 13% 97/02		£124½	.....
Arnotts	y	375xd	.....
Carrol Inds.	y	155	.....
Grafton Grp.	y	148	+3
Hall (R. & H.)		152	+2
Heiton Hldgs.	y	55	–1
Irish Ropes	y	165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	48
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met.	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	85
Jaguar	22
Ladbroke	30
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk.	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	38
Land Securities	52
MEPC	50
Peachey	54

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	48

A selection of Options traded is given on the London Stock Exchange Report Page

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to slide

LACK OF co-ordinated intervention by central banks pushed the dollar down again yesterday. The US Federal Reserve bought dollars against the Japanese yen, but European central banks were conspicuous by their absence.

The West German Bundesbank indicated yesterday, in its monthly report, that it is worried about the impact of foreign exchange intervention on domestic money supply growth. Dealers said the West German authorities are more concerned about inflation and money supply growth than in suppressing the D-Mark's rise against the dollar.

It is felt the weak dollar is more a problem for the US and Japan, and that recent comments from the US Administration, including Mr George Bush, the incoming President, have done nothing to foster accord among the central banks.

In New York the Federal Reserve intervened to buy dollars, in relatively small lots of $10m, at around Y121.75. Earlier in Tokyo the Bank of Japan was estimated to have bought up to $400m at levels of Y121.65 and Y121.75, but failed to stop the US currency sliding.

At the close in London the dollar had fallen to Y121.35 from Y121.90, and had also weakened to DM1.7205 from DM1.7270. Traders noted that this took the dollar through a technical support point of DM1.7250. Against other major currencies, the dollar fell to SFr1.4475 from SFr1.4525 and to FFr5.8800 from FFr5.9050. According to the Bank of England, the dollar's exchange rate index fell to 92.5 from 93.0.

Sterling remained on the sidelines, trading calmly ahead of Friday's UK trade figures for October. There was no strong reaction to a jump in oil prices on optimistic comments from Vienna where Opec ministers resume talks today on production quotas.

The pound gained 85 points to $1.8330. It also rose to DM3.1505 from DM3.1500; to SFr2.6525 from SFr2.6500; and to FFr10.7775 from FFr10.7725, while holding steady at Y222.50. On Bank of England figures, sterling's index rose 0.1 to 77.2.

The Canadian dollar continued to improve, as the Conservative Party was re-elected in the Canadian elections. The US dollar closed at C$1.2025 in London, compared with C$1.2120 on Monday, and after falling below C$1.20 in early European trading.

The Australian dollar was also very strong, prompting intervention to sell the currency by the Federal Reserve in New York. Dealers assumed this was on behalf of the Reserve Bank of Australia.

The Australian dollar, which has recently touched its highest levels for over four years, was trading at 86.30 US cents when the Fed intervened. It finished around the same level in London, compared with 85.85 cents on Monday.

The New Zealand dollar improved slightly to 65.00 US cents from 64.65 cents, in spite of continuing nervousness, reflecting reports of conflicts within the New Zealand Government over economic policy.

£ IN NEW YORK

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

*All SDR rates are for Nov.21

CURRENCY MOVEMENTS

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) *Rates are for Nov.21.

OTHER CURRENCIES

*Selling rate. †Corrected figure for 21.11.88 0.50790-0.50900

EMS EUROPEAN CURRENCY UNIT RATES

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000. French Fr per 10. Lira per 1,000. Belgian Fr. per 100.

FINANCIAL FUTURES

Inflation fears hit US bonds

WEAKER US Treasury bonds dragged long term gilts lower in subdued trading on the Liffe market yesterday.

Bonds were depressed by news that the October US consumer prices index rose 0.4 p.c. The market expected the rise to be unchanged from the September figure of 0.3 p.c. This led to speculation that rising inflationary pressure, coupled with the weakness of the dollar, will force the Federal Reserve to tighten its monetary policy.

December US Treasury bonds opened slightly firmer at 87-31 on Liffe, but fail to close just above the day's low at 87-21, compared with 87-30 on Monday.

Apart from the inflation data, sentiment was also hit by a sharp rise in oil prices, on a report from Vienna that Opec was near a production agreement.

March long gilt futures showed a similar movement to bonds, opening slightly higher, but falling through technical support, and closing at the day's low of 96-11, against 96-19 previously. Short sterling futures stabilized, after weakening on Monday.

LONDON (LIFFE)

CHICAGO

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 28,511

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

MONEY MARKETS

Bundesbank concern

INTERVENTION BY the West German Bundesbank on the foreign exchanges is threatening to cause problems with domestic money supply growth, and suggests the central bank will not fully replace DM19.7bn draining from the Frankfurt money market today, as two securities repurchase agreements expire.

The Bundesbank set a 28-day securities repurchase agreement tender yesterday, with no minimum bid rate.

UK clearing bank base lending rate
12 per cent
from August 25 & 25

Figures released on Monday showed that M3 money supply growth was running at an annual rate of 6.8 p.c. in September and October. This was a rise from 6.6 p.c. in August and September, and is above the Bundesbank's target range of 3 p.c. to 6 p.c.

In its latest monthly report, the Bundesbank indicated concern that foreign exchange intervention is feeding D-Marks out into the domestic banking system and boosting money supply growth. This will be hard to neutralize, according to the authorities.

Credit conditions remained comfortable in Frankfurt yesterday with call money easing to 4.30 p.c. from 4.35 p.c.

In London money market rates showed very little change. Three-month interbank was unchanged at 12$\frac{1}{16}$-12¼ p.c. There were no new factors, as dealers waited for publication of the October UK trade figures on Friday.

It is felt that the trade news will have to be very bad indeed to cause any significant movement in rates and that the present rate structure is likely to remain in place until at least the end of the year.

The Bank of England yesterday forecast an initial London money market credit shortage of £200m, but revised this to £150m in the afternoon. Total assistance of £101m was provided. Before lunch the authorities bought £7m bank bills in band 4 at 11$\frac{13}{16}$ p.c. In the afternoon another £94m bank bills were purchased in band 1 at 11⅞ p.c.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £11m, with Exchequer transactions absorbing £165m, and bank balances below target £20m. These outweighed a fall in the note circulation adding £20m to liquidity.

In New York the Federal Reserve added reserves to the banking system for the second day running. Temporary reserves were provided through $1.5bn in customer repurchase agreements, when Federal funds were trading at 8$\frac{5}{16}$ p.c.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FT LAW REPORTS

Broker gets damages for Mareva dismissal

FINANCIERA AVENIDA SA v SHIBLAQ
Queen's Bench Division (Commercial Court):
Mr Justice Saville:
October 21 1988

A PERSON who loses his job because Mareva injunctions are made against him will generally be entitled to damages on the plaintiffs' cross-undertaking in damages if the claims against him in the main action are abandoned or fail, and if he establishes an undisplaced *prima facie* case that the injunctions were the exclusive cause of his dismissal. And plaintiffs who *wish to oppose enforcement of* the undertaking on grounds of special circumstances, should do so when the court exercises its discretion on the defendant's application for an inquiry to ascertain damages, not later at the inquiry stage.

Mr Justice Saville so held when giving judgment on an inquiry as to whether the defendant, Mr Basil Shiblaq, was entitled to damages as against the plaintiffs, Financiera Avenida SA, on their undertaking in damages given to the court in respect of Mareva injunctions obtained by them against him.

HIS LORDSHIP said that on June 2 and June 10 1983 Mareva injunctions were made against Mr Shiblaq restraining *him from disposing of his* assets within the jurisdiction up to $4m, and restraining him from disposing of certain specified sums anywhere in the world. The plaintiffs gave a cross undertaking in damages.

Mr Shiblaq asserted that the effect of the orders was that in July 1983 he was forced to resign from the broking house of EF Hutton and thereby lost commissions he would otherwise have earned as a broker working from that house.

In October 1986 he applied for an order for an inquiry. The court ordered that an inquiry be held as to whether he had sustained any, and if so what, damages by reason of the orders, "which the plaintiffs ought to pay according to their cross-undertaking."

The court had a discretion whether or not to enforce a cross-undertaking in damages. It had already exercised that discretion in favour of Mr Shiblaq by making the order for an inquiry.

Mr Crystal for the plaintiffs submitted that since the order for an inquiry included the words "which the plaintiffs ought to pay according to their cross-undertaking," the court had reserved the right to exercise its discretion not to *enforce the undertaking at all.*

That could not be so, for if a court were to reserve the question of discretion, it could hardly simultaneously order an inquiry which could not and should not take place if the discretion was to be exercised later against the defendant.

The rule was that when an undertaking was given and the plaintiff ultimately failed on the merits, an inquiry as to damages would be granted unless there were special circumstances to the contrary. If there were special circumstances which it was suggested should cause the court to exercise its discretion not to order an inquiry, those should be brought before the court when the defendant applied for an inquiry, for it was at that stage that it was being asked to exercise its discretion (see *Griffith v Blake (1884) 27 Ch D 474,475).*

Mr Shiblaq's application for an inquiry was not opposed, nor was any suggestion made at that time that the court should reserve the question whether or not its discretion should be exercised in favour of Mr Shiblaq.

In those circumstances, the words in the order on which Mr Crystal relied meant no more than that Mr Shiblaq should recover those damages, if any, to which he was entitled as a matter of law.

The question was whether Mr Shiblaq had proved that he had sustained any recoverable damages by reason of the orders made against him.

Mr Crystal submitted that it was for the party seeking to enforce the undertaking to show that the damages claimed would not have been sustained but for the orders in respect of which the undertaking was given.

He relied on *Air Express v Ansett Transport Industries (1979-1981) 146 CLR 249.* There Mr Justice Mason said that the object of the undertaking was to protect a party, normally a defendant, in respect of such damages as he might sustain by reason of an interim injunction if it emerged that the plaintiff was not entitled to relief – the purpose was not to protect the defendant against loss or damage which he would have sustained otherwise, and which he must bear himself. "Consequently" he said, "it is for the party seeking to enforce the undertaking to show that the damages he has sustained would not have been sustained but for the injunction.

That reasoning was convincing. However, it did not mean that a party seeking to enforce an undertaking must deal with every conceivable or theoretical cause of the damages *claimed. Once he had established a prima facie* case that the damage was exclusively caused by the relevant order, then in the absence of other material to displace that *prima facie* case the court could and generally would draw the inference that the damage would not have been sustained but *for* that order. In other words, the court sought to approach and deal with the question of causation in a common-sense way.

Mr Crystal's principal submission on causation was that Mr Shiblaq had not shown and could not show that the exclusive causes of his loss of employment by EF Hutton were the orders of June 1983. He submitted that the copper trading scandal which gave rise to the litigation was such that Mr Shiblaq's involvement in it was likely to result in his either losing his employment in any event, or being unable to earn any significant commissions as a broker.

On the evidence the court was satisfied that but for the orders Mr Shiblaq would have retained his position with EF Hutton and would have earned substantial commissions.

The evidence established that the responsible officers in EF Hutton were in fact aware that he had been heavily involved in the copper dealing affairs of the ruler of Abu Dhabi, yet with that knowledge had offered him employment as a broker at the beginning of 1983.

It also established that when the litigation against Mr Shiblaq started in June 1983 and the first of the interim orders was obtained, EF Hutton took the attitude that he should be given the chance to clear his name by getting the orders discharged. When he failed EF Hutton took the view that the court considered there was substance in the claim against him, which at that stage included barely veiled allegations of fraud later wholly *abandoned.*

Whether or not Mr Shiblaq would get the orders discharged was regarded by EF Hutton as the acid test. His failure to do so was regarded as a failure to clear his name and accordingly he was asked to resign. The court was satisfied that had Mr Shiblaq succeeded in lifting the orders he would have retained his engagement with EF Hutton.

Had he not had to resign Mr Shiblaq would have earned between $200,000 and $300,000 per annum in the years 1983 to 1985. The court assessed his lost commission at $200,000 for the year commencing September 1 1983 and thereafter at $300,000 up to judgment in the action in January 1986.

The plaintiffs suggested that Mr Shiblaq had failed to mitigate his loss.

No evidence was adduced to show what he could reasonably have done. On the contrary, the shadow cast over him by the orders and his departure from EF Hutton effectively prevented him from employment as a broker in the relevant period.

The plaintiffs also suggested that losses of the kind claimed were not a reasonably foreseeable consequence of the making of the orders.

That was rejected. It was self-evident that when such orders were made against a broker like Mr Shiblaq, the obvious and likely effect would be precisely that suffered by him. It was noteworthy that on obtaining the orders the plaintiffs circulated copies of them to a number of the leading broking houses in London, including EF Hutton.

The claim for damages was established.

For Mr Shiblaq: Barbara Dohmann QC and Monica Carss-Frisk (Theodore Goddard)
For the plaintiffs: Michael Crystal QC and Robin Knowles (Linklaters & Paines)

Rachel Davies
Barrister

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

CANADA

TORONTO

2pm prices November 22

Quotations in cents unless marked $.

5700 Can Capital	$10¼	10¼	10¼
4500 CanCap A	$8¼	8½	8½ − ¼
1900 CamFd A	00¼	8	8¼ + ⅛
500 C Guar Trc	$20¼	20¼	20¼ + ⅛
10686 Indal	$13¼	13⅞	13¼
40114 Inland Gas	$11⅞	11¼	11⅞ + ¼
3500 Innopac	$11½	11¼	11¼ + ¼
18420 Power Cor f	$13⅛	12¼	12⅞
7665 Power Fin	$13½	13½	13½ + ⅛
6939 Provigo	011	10⅞	10⅞ − ⅛

f—No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Nov 21	Nov 18	Nov 17	Nov 16	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2065.97	2062.41	2052.45	2038.58	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.41	89.64	89.79	89.97	91.25 (3/3)	86.12 (4/1)	-	-
Transport	897.32	896.71	890.98	890.98	938.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	182.25	181.72	182.31	181.54	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2070.06 (2070.41) Low 2036.81 (2047.12)

STANDARD AND POOR'S	Nov 21	Nov 18	Nov 17	Nov 16	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	266.22	266.47	264.61	263.82	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	306.14	306.36	303.93	302.84	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.38	24.48	24.33	24.36	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	150.10	150.18	149.24	148.96	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	286.17	286.67	285.37	286.30	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	364.18	367.58	367.43	367.79	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Nov 18	Nov 11	Oct 21	year ago (approx.)
Dow Industrial Div. Yield	3.83	3.81	3.54	3.58
	Nov 16	**Nov 9**	**Nov 2**	**year ago (approx.)**
S & P Industrial div. yield	3.32	3.19	3.09	3.31
S & P Indl. P/E ratio	12.13	12.60	13.52	16.39

TRADING ACTIVITY †Volume Millions

	Nov 21	Nov 18	Nov 17
New York	120.896	119.320	141.280
Amex	7.940	7.575	9.190
OTC	111.950	103.242	140.151

NEW YORK	Nov 21	Nov 18	Nov 17
Issues Traded	1,954	1,931	1,955
Rises	552	840	619
Falls	920	536	825
Unchanged	482	555	511
New Highs	25	7	9
New Lows	66	39	53

CANADA

TORONTO	Nov 21	Nov 18	Nov 17	Nov 16	1988 High	1988 Low
Metals & Minerals	2836.8	2805.2	2784.2	2778.8	3226.5 (5/7)	2238.7 (8/2)
Composite	3245.4	3221.1	3198.5	3209.8	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1619.85	1593.81	1578.00	1580.48	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
RJR Nabisco	3,721,300	85⅞	+ 1⅞	Potomac El Power	1,540,100	21⅝	....
Kan-Cy Power	2,604,500	31¼	+ ¼	Upjohn	1,433,600	29⅞	− ⅞
USF & G	1,814,700	30	− ¼	Exxon	1,316,400	42¼	....
Texas Utilities	1,804,600	28¼	....	Am T & T	1,138,300	28	+ ¼
Kaneb Services	1,545,500	2	− ⅛	IBM	1,053,100	115⅝	− ¼

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. ‡ Excluding bonds. † Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 22	Nov. 21	Nov. 18	Nov. 17	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1478.4	1483.0	1493.3	1494.9	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	685.8	694.1	706.5	710.2	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	225.30	224.10	222.40	221.90	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5360.10	5337.50	5317.50	5312.40	5383.00 (10/11)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	244.19	242.77	241.06	247.87 (1/11)	180.68 (4/1)
FINLAND						
Unitas General (1975)	728.1	726.0	726.1	725.3	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	388.7	391.3	392.6	389.6	397.2 (9/11)	251.3 (29/1)
Ind. Tendance (31/12/87)	149.0	149.4	150.2	149.6	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	527.27	531.49	528.06	522.00	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1587.6	1601.1	1592.3	1573.5	1641.60 (27/10)	1207.9 (29/1)
DAX (30/12/87)	1277.40	1284.16	1277.55	1264.59	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2598.78	2581.87	2581.16	2568.79	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	575.56	573.58	579.64	575.67	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	29430.12	29284.26	29180.20	29076.81	29430.12 (22/11)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2278.83	2266.10	2252.11	2240.10	2278.83 (22/11)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	269.7	269.8	269.4	268.4	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	235.3	235.6	234.8	233.9	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	411.45	412.32	413.42	415.81	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	999.52	992.77	991.37	991.23	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1291.0‡	1304.0	1331.0	1343.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1840.0‡	1847.0	1849.0	1844.0	1869.0 (2/11)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	282.52	283.41	282.79	283.45	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3216.20	3192.90	3184.50	(u)	3267.33 (4/11)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	561.1	567.3	573.1	563.1	582.3 (21/10)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	484.3	481.6	479.3	484.3 (21/11)	401.0 (21/1)

**Saturday Nov. 19: Japan Nikkei (c) and TSE (c)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 22 November 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	178.4m	948	+10	Mitsui OSK Lines	24.4m	754	+18
Japan Line	38.5m	490	+18	Kobe Steel	17.9m	730	+1
Nippon Yusen	36.8m	910	-3	Kawasaki Heavy Ind	15.6m	858	+15
NKK	33.9m	948	+19	Nippon Oil	14.3m	1,550	uch
Kawasaki Steel	25.7m	1,090	+30	Nippon Light Metal	13.9m	618	+0

3pm prices November 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 53

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
6⅞	3½	RPC			10	167	5¼	5	5	- ⅛
31¼	30⅛	Racal n				112	31½	31¼	31½	+ ⅛
1⅛	⅞	Radice				38	7-16	7-16	7-16	
89½	57⅛	RalsPur	1.50	2.0	13	774	75½	74⅞	75	- ⅛
19¼	8	Ramad				434	8⅝	8⅛	8½	
6⅛	3½	RangrO			53	354	6⅛	6	6⅛	+ ⅛
54¼	33	Raycm	.32	.9	11	667	36	35⅝	35½	
12½	8⅝	RJamFn	.16b	1.6	16	13	10	10	10	
21⅝	14⅝	Rayonr	2.60	13.	6	93	20	19⅞	20	
8½	2⅞	Raytch	.05e	1.8		60	3	d 2⅝	2⅞	- ⅛
73⅞	57⅛	Raythn	2	2.9	16	456	69⅛	68⅞	68⅞	- ⅛
2½	½	ReadBt				224	⅝	½	⅝	+ 1-16
5⅛	1½	RdBat pf				20	1⅝	1⅝	1⅝	- ⅛
16	15½	REIT	1.34	8.6	14	143	15⅝	d15⅛	15½	- ⅛
11⅞	5½	RecnEq			27	204	9⅛	9⅝	9⅝	- ⅛
19⅛	3⅛	Redmn	.36	3.7		27	9⅞	9⅛	9⅞	- ⅛
18⅝	8⅛	Reebok	.30	2.7	8	2077	11⅞	11⅛	11⅛	
12⅞	9⅛	Reece	.15e	1.3	17	5	11⅛	11⅛	11⅛	+ ⅛
1⅛	5-32	Regal				190	3-16	5-32	3-16	+ 1-32
6⅞	4⅛	RegtFn	.26e	4.1		109	6⅞	6⅛	6⅝	
12⅞	12⅛	ReichTg	1.76	13.	8	13	13⅛	13⅛	12⅞	- ⅛
7½	4⅛	RelGrp	.32	7.1	6	2970	4⅝	4½	4½	- ⅛
9⅞	4⅛	RepGyp	.20	4.2	24	23	4⅞	4⅝	4⅞	
45⅛	36½	RepNY	1.20	2.9	16	242	41⅞	41½	41⅞	+ ⅛
23⅞	16	Rxene	n.15e	.9		302	16⅞	16½	16⅝	
58	34	ReyMtl	1	2.0	7	1155	51	40⅞	51	+ ⅛
40⅞	29⅛	RiteAid	.74	2.1	15	1195	35½	34⅞	35	
1	½	RvrOak				133	½	d7-16	7-16	- 1-16
18½	6⅞	Robtsn				554	9⅝	9⅛	9⅛	- ⅛
27	16⅛	vjRobins			12	385	22⅛	28⅛	28⅛	- ⅛
19⅛	14⅛	RochG	1.60	8.6	11	86	17⅝	17⅝	17½	- ⅛
40⅞	30	RochTl	2.72	5.7	10	135	47⅛	47⅛	47⅝	+ ⅛
11½	5⅝	Rclwy	.36	3.6	11	13	9½	9⅝	9⅝	- ⅛
20⅞	15½	RckCtr	1.84	9.4	15	190	19⅞	19⅝	19⅝	- ⅛
23½	15⅞	Rockwl	.72	3.7	6	1740	19⅝	19⅛	19⅝	- ⅛

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12⅞	10⅛	StkVC pr	1							
16	8⅛	Stifel								
73⅛	57⅞	StoneW	2.40							
39½	17½	StoneC s	.36							
8⅛	5	StonRs								
7-79	1-32	StonR rt								
13⅛	10⅛	StorEq	1.40							
2⅞	1⅛	StorTch								
18⅛	12	StratMt	1.92a							
35⅛	13⅛	StridR s	.80							
9	5⅛	SunCh								
9⅝	6⅝	SunDis	1.10e							
18⅝	8⅝	SunEl	.05e							
17⅞	11⅛	SunEng	1.25e							
28	23⅛	SunEx	n1.20							
31½	20	SunCo	s1.80							
58	38	Sundstr	1.80							
8	3½	SunMn								
9⅝	7⅞	SunM	pf1.10							
24½	17⅞	SunTrst	.78							
28⅞	10	SupValu	.50							
27⅛	11⅛	SymTc s								
12⅞	7⅞	SymsCp								
43½	28⅛	Syntex	1.80							
36⅛	23⅛	Sysco	.20							
0⅛	6½	Systint	.20e							

– T–T –

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅞	8⅛	TCBY	.04							
8⅝	6⅛	TCW	.84							
24⅞	21⅛	TECO	1.42							
11⅝	8	TGIF								
18⅞	6	TIS n								
25⅛	12⅛	TJX	.50							
20½	17½	TNP	1.47							
84	39⅞	TRW	1.72							

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
36⅝	19⅛	XTRA	.72	2.1	14	787	33⅞	20⅛	33⅞	+ ⅛
29⅞	19⅝	XTRA	pf1.94	7.4		14	20⅛	28⅛	28⅛	+ ⅛
69⅞	19⅞	Yorkin			14	253	51½	51⅛	51½	- ⅛
5⅞	5⅛	Zapata				160	2⅝	2⅛	5⅛	- ⅛
27⅛	12½	Zayre	.40	1.6	105	190	25⅛	24⅝	24⅛	- ⅛
30	18	ZenithE				663	17⅛	16⅞	17	
10⅞	9½	Zenin n	.49e	4.9		65	10	9⅞	10	
4	1	vjZenLb				182	5⅛	2⅛	2⅛	- ⅛
21⅞	13⅛	ZenNtl	.80b	5.1	7	101	16⅞	15⅞	15⅞	- ⅛
17⅞	11⅛	Zero	.44	2.7	14	317	16⅝	16	16⅛	- ½
28	15½	Zurnin	.88	2.8	15	57	28	25⅛	26⅞	+ ⅛
11⅛	8⅛	Zweig	1.04	10.		102	10⅛	15⅛	10⅛	+ ⅛
10⅛	9⅛	ZweigT	n.08e	.8		1007	9⅛	d 9⅞	9⅛	- ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 22

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 22

AMERICA

Pressure on dollar and bonds subdues Dow

Wall Street

TRADING was in an extremely narrow range yesterday morning and equities were quoted little changed from Monday's close, *writes Janet Bush in New York.*

The late rebound in stocks on Monday from a loss of 20 points was regarded as encouraging by some traders, who hoped for a continuation of that recovery yesterday.

However, stocks were unable to make much headway with the dollar still under pressure and a weaker bond market. The Dow index closely tracked the dollar, which fell initially and then rebounded modestly on reported intervention by the US Federal Reserve before falling back towards its lows.

The Dow began by dropping 8 points and then rebounding to show a gain of 8 points before slipping back towards midsession. At 2 pm, the index stood 0.54 points lower at 2,065.43 on light volume of 64m shares.

Some technical strength in the market and relative cheapness after its substantial retracement from post-crash highs was counterbalanced by a number of negative factors, the weakness of the dollar being a key one.

There were also yesterday's figures showing a larger-than-expected 0.4 per cent increase in the October consumer prices index, which undermined bonds.

The gain last month gave a 5.1 per cent annual rate of inflation, which the Labor Department noted was the fastest rate since 1981.

As expected, the White House yesterday raised its 1989 growth forecast to 3.5 per cent from 3.3 per cent.

One of the few anti-inflationary components of the economy over the last few months has been weak oil prices amid disarray within the Organisation of Petroleum Exporting Countries.

This, too, turned against financial markets yesterday as crude oil prices jumped by about 60 cents in response to rumours that Opec may be near to agreement on limiting production and therefore supporting prices.

Another negative factor for the stock market was the reiteration by President-elect George Bush of his pledge not to raise taxes. Financial markets are worried about the fiscal position which leaves the brunt of policy-making on the monetary side and increases the risk of higher interest rates.

Volume in the equity market is being dampened by traders' reluctance to deal aggressively before tomorrow's Thanksgiving Day market closure and what is expected to be a very thin day of business on Friday.

Takeover battles and prospective bids continued to give the equity market its main source of life.

Hospital Corp of America dropped $3⅝ to $43⅝ after the company accepted a buy-out from a management group worth $51 a share, split into $43 a share in cash and $8 a share in securities. The company had previously rejected a similar offer.

Unitel Video fell $⅞ to $11⅛ on the American Stock Exchange after the company said that talks with a would-be bidder had been halted and that it had rejected a conditional offer worth $30m from another bidder.

Emulex added $⅜ to $10⅛ on the over-the-counter market after TA Associates, a Boston-based venture capital group, offered to buy the company for $11.50 a share.

Rorer was swept up in renewed speculation that it might be a takeover candidate after an analyst in Boston said *it could be worth $60 a share or* more. The shares jumped $2⅜ to $41½.

RJR Nabisco again topped the volume list on the New York Stock Exchange although its shares stood unchanged at $85⅞ at midsession.

The jump in oil prices helped oil companies to register solid gains. Exxon added $⅜ to $42⅛, Mobil gained $½ to $42⅜, Chevron rose $⅜ to $43⅞ and Atlantic Richfield picked up $1⅜ to $78½.

Among blue chips, International Business Machines added $½ to $116⅛, Merck was down $¼ at $55½, Coca-Cola slipped $¼ to $41⅞ and Ford gained $⅜ to $50⅜.

Hangover takes the edge off Canada's zest

Andrew Marshall on the market's condition the day after the election celebrations

Canada woke up with a hangover this morning. Much of the business community was celebrating late into the night as the scale of the ruling Progressive Conservatives' majority became clear. The contentious free trade deal with the United States now seems secure.

The celebrations on financial markets had begun early, with the TSE Composite 300 climbing 44.32 higher to 3,265.4 on Monday, four hours before the *polling booths* had shut. The Canadian dollar continued to soar throughout the evening, as traders worked late at their desks, reaching 83.82 US cents before sliding back to settle at around 83.68 US cents, setting a seven-year record.

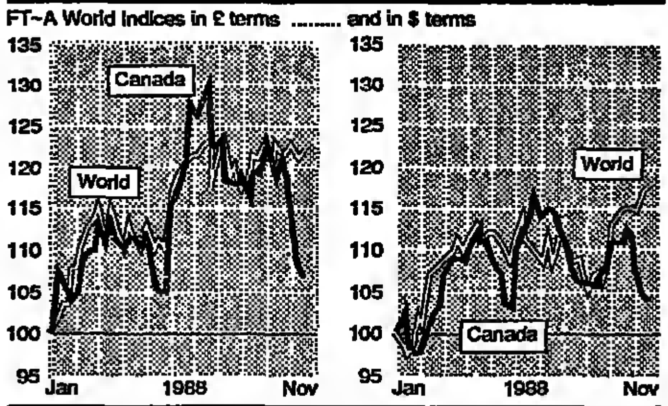
Yesterday morning, some of the froth came off. The TSE lost 9.1 points to reach 3,256.3 at mid-session, and the Canadian dollar settled down.

The sectoral breakdown *reflects quite a headache* on Bay Street. Oil and gas stocks rose strongly by 47.74 points, as rumours of an imminent Opec production sharing agreement spread; but the metals and the minerals index was down 16.94 and industrial products were 23.99 lower.

Monday's favourites were all down. Canadian Pacific slipped C$¼ to C$20¾, Nova Corp by C$⅛ to C$10⅞, and Alcan by C$⅛ to 36⅝. National Bank of Canada fell C$⅛ to C$11⅞ but *financial services* stocks were less affected by the market's decline, with good results expected from all Canada's big six chartered banks in the next 10 days.

"The euphoria has left us, and now we are back to fundamentals," said Mr Lyle Stein, chief portfolio strategist at Nesbitt Thomson Deacon. Fundamentals include healthier-than-expected GDP growth of about 4.1 per cent for this year,

FT-A World Indices in £ terms .... and in $ terms



tight monetary policy keeping inflation under control, and low unemployment. But the future is darker: growth next year is expected to slip to perhaps 2.25 per cent, and financial markets fear inflation may be returning. A rise in interest rates could be around the corner.

Developments in the US also shaped the market yesterday. Renewed pressure on the US dollar worried investors, said Mr John Ing of Maison Placements. Sherry Atkinson Cooper of Burns Fry said US worries are "swamping any *positive sentiments.*"

Nor are the beneficial effects of free trade on Canadian companies easy to calculate. "We haven't identified clear winners," said Mr Stein. "It's tough, because there are a lot of other factors."

If business has tended to see free trade as a universal panacea, the Canadian Chamber of Commerce was quick to contradict that perception yesterday. "It is vital that Parliament gets down to work at the earliest possible date to address the problems that face the nation, many of which received only passing attention during the campaign," it said.

Perhaps the biggest economic cloud on the Canadian horizon is the Federal Budget deficit and mounting public sector debt. "I hope we don't get too carried away," said Mr Terry Shaunessy of Merrill Lynch Canada. "We have not solved any of the problems."

EUROPE

Bearer shares make mild comeback in Switzerland

SPECULATIVE activity provided sparks of interest in a mixed Europe, with the weak dollar paring gains but Zurich making a mild recovery, *writes Our Markets Staff.*

ZURICH saw bearer shares recoup some ground after their battering in the wake of Nestlé's decision to open its registered shares to foreign investors last week. Trading remained very heavy, with insurance stocks picking up strongly, while some banks remained under pressure.

The Credit Suisse general index rose 5.9 to 491.3 and the *industrial index* 5 to 534.6.

Although many bearer shares made what analysts described as a technical recovery, some registered shares continued Monday's falls. Nestlé bearers picked up SFr175 to SFr6,650, but the registered stock fell SFr60 to SFr5,740.

Insurers saw Swiss Re bearers up SFr600 at SFr10,600, a 6 per cent jump, and Zurich made a similar percentage gain, up SFr285 at SFr4,610.

Not all bearers picked up, however. Banks remained weak, with Swiss Bank Corp bearers off SFr14 at SFr341 and UBS shed SFr40 to SFr3,050.

One London analyst said stocks such as Crédit Suisse, UBS, and Brown Boveri, whose bearers edged up SFr25 to SFr2,625 yesterday, were now oversold, having reacted more negatively than Nestlé itself to the food group's move.

FRANKFURT found little solace in the recent batch of positive corporate figures as the dollar's fall in the absence of central bank intervention left the market to drift lower in dull trading. At midsession the FAZ was 4.22 easier at 527.27, while the DAX closed 6.76 lower at 1,277.40.

Sentiment was not helped by the suspension of trading in retail group Co op, whose chairman, Mr Bernd Otto, resigned on Monday. Co op's high indebtness has been heavily criticised in the West German press, and its shares have lost about 20 per cent of their value in the last month.

Steel and construction group Krupp depressed steel stocks by predicting a DM100m loss this year because of problems at its equipment construction division. The holding company is privately held, but shares in steelmaking unit Krupp Stahl closed down DM2.30 at DM117.50.

Among mixed chemicals, Bayer drew little strength from its 22 per cent jump in profits and closed DM1.50 weaker at DM196.50 despite good demand from London investors.

PARIS had a generally quiet end to the account month, with volume estimated around the FFr1.4bn level of the last couple of days and shares generally slightly weaker.

Speculative activity in Cie du Midi provided a focus of attention as the stock rose FFr15 to FFr1,590 after reaching a year's high of FFr1,640 in early trading. Signs of strain between Midi and its insurance partner, Axa, raised speculation that the former was again vulnerable to takeover. Generali of Italy, which has a 16 per cent stake, has indicated it would like to increase this to 20 per cent.

The problems between Midi and Axa have arisen over Midi's decision to buy into Société Générale, the privatised bank, through a stake in Marceau Investissements. Société Générale, in which Marceau has built up a 9 per cent stake, gained FFr15 at FFr540.

The OMF 50 index eased 1.72 to 400.81, and the opening CAC General was off 2.6 at 388.7.

STOCKHOLM had a fairly active day, with the spotlight on Volvo, which rose sharply. Its B-shares accounted for some 15 per cent of the day's trading worth SKr307m.

The shares, which had been heavily traded after hours in London on Monday, gained SKr9 to SKr355. Analysts said the stock had been undervalued and that its recent nine-month figures were better than feared.

There has been press speculation in the last couple of months about Volvo's potential break-up value.

SKF B-free shares gained SKr9 to SKr358 on a press report, denied by the company, that its property holdings in Tokyo were undervalued and were worth SKr2.8bn. Asea Brown Boveri, which has been making presentations in Zurich and London and has interim results due on December 1, added SKr12 to SKr370.

The Affärsvärlden General Index rose 6.2 to 954.9.

AMSTERDAM traded quietly on the lack of a lead from overseas, and despite a late rally on Wall Street's firm opening the weak dollar kept gains to a minimum. The CBS all-share index closed up 0.3 at 96.7.

Nedlloyd featured after chairman Mr Henk Rootliep revealed he expected profits this year of at least Fl 160m. The shares closed Fl 7.50 better at Fl 217 in brisk demand.

Paper distributor VRG climbed Fl 1.30 to Fl 159 after forecasting that annual profits this year will nearly double to Fl 33m.

MILAN closed firmer in quiet trading as a number of late profit-taking brought shares off their early highs. The Comit index ended up 2.02 at 57.56 in light volume.

Generali was heavily bought, closing up L580 at L44,490 before easing a little in after-hours trading. A dealer said there were two theories about who was behind the demand. It was either the controlling group of Italian shareholders adding to their existing stakes, or Japanese institutions building up investment positions in the stock.

Mediobanca advanced L150 to L19,650 after Monday's share offering of 13 per cent of its capital was oversubscribed.

BRUSSELS attracted more buyers as it began a new two-week trading account, and shares ended mostly higher. The cash market index gained 22.5 to 5,880.1.

There was heavy trading again in Wagons-Lits, the travel group, which continues to be driven higher by the tension between its two main shareholders. The stock gained BFr100 to BFr7,500.

Géchem, the chemical group, and Fabrique Nationale de Herstal (FN), the arms and aeronautics company, were both suspended at Monday's closing prices before the announcement of restructuring plans, due today, by parent group Société Générale.

MADRID edged lower in dull trading, as the general index slipped 0.89 to 282.52. Telefonica was one of the few shares to move higher, adding 1.25 points to 175.25 per cent of par.

ASIA PACIFIC

Sharp rise underlines bullish mood

Tokyo

THE SUSTAINED strength of the market's present bull phase was reflected in another substantial rise in share prices yesterday, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average ended with a gain of 145.86 that lifted the index to its eighth consecutive record of 29,430.12. Gaining issues led falls by 517 to 381 while 165 were unchanged.

Volume picked up to 1.16bn shares from Monday's 869m. The TOPIX index of all listed stocks added 12.37 points to 2,278.83 and, in London trading, the ISE/Nikkei 50 index was 2.93 better at 1,863.72.

As on Monday, the morning session in Tokyo saw a degree of hesitation in the face of the market's continuous rise and concern about possible overheating. The mood, however, remained positive and activity picked up in the afternoon as investors turned to issues that have been lagging behind, especially those costing less than Y500, which were seen as being low-priced.

Investors turned to shipping companies, many of which are priced at under Y1,000 a share. Kawasaki Kisen, which belongs to the Kawasaki Steel and Kawasaki Heavy Industries group, firmed Y29 to Y504, and Inui Steamship advanced Y105 to Y1,060.

Japan Line, second in volume terms with 38.5m shares traded, rose Y18 to Y490 and Mitsui O.S.K. Lines added Y10 to Y754. Iino Kaiun and Daiichi Chuo Kisen gained on rumours that Sumitomo, a major shareholder of Daiichi, was increasing its shareholdings in the company, with the apparent intention of merging it with Iino Kaiun. Iino rose Y80 to Y1,260 while Daiichi advanced Y36 to Y538.

Shipping companies were also in demand because of the recent strong recovery in the shipping market. Nippon Yusen, however, third most actively traded stock with 36.6m shares, lost Y3 to Y910.

Smaller textile companies were sought as laggards. Nisshinbo Industries firmed Y20 to Y1,440 and Kurabo rose Y23 to Y663. Low-priced Daiwabo gained Y42 to Y565 and Toyobo added Y31 to Y682.

Nichias, the maker of insulating material which has been rising on speculative buying, hit another record high of Y2,400, up Y200. The company has attracted interest after developing a new heat insulating material, and there is speculation that it might redevelop the site of one of its plants.

Issues that are sensitive to interest rates, such as the utilities and financials, were also in demand.

Interest also returned to the large capital steels and shipbuildings, with Nippon Steel at one stage posting a record high of Y950. The stock, which topped the active list with 178.4m shares traded, finished Y10 higher at Y948.

Shares also gained in Osaka as investors turned to low-*priced issues, pushing* the *OSE* average up 142.98 to 27,152.34. Volume was higher at 132m shares, compared with 117m shares on Monday. Inui Steamship showed the biggest rise, adding Y185 to Y1,060.

Roundup

DOMESTIC issues dominated the Asia Pacific markets yesterday, with Hong Kong higher on the property boom, Singapore better on good economic news, but Australia still upset by high interest rates and the strong local dollar.

AUSTRALIA briefly showed signs of a revival as shares rallied in late morning trading, but the pressure of high interest rates, the weak gold price and a firmer Australian dollar proved too great and shares fell back to close easier on moderate turnover. The All Ordinaries index lost 4.6 to 1,478.4 as 83m shares worth A$143m *changed* hands.

The feature of the day was Industrial Equity Limited's (IEL) A$3.65-a-share bid for retailer Woolworths. The bidder already owns 42.5 per cent of Woolworths, and at least one analyst believed IEL would face few problems in winning the extra 8.5 per cent needed to gain full control.

Woolworths' shares were actively traded both before and after the announcement of the bid. At the close, the stock stood 19 cents higher at A$3.65. IEL edged 1 cent up to A$1.42.

Banks maintained their recent trend of swimming against the market tide. ANZ, which is due to report annual figures on Friday, gained 4 cents to A$5.32, while Westpac and National Australia both added 2 cents to A$5.60 and A$6.58 respectively.

HONG KONG gained ground on the back of strong property stocks and the Nikkei's record-breaking rise. The Hang Seng index advanced 16.92 to 2,598.79 on turnover of HK$816m worth of shares.

In a heavily traded property sector, the most active stocks were Great Eagle, 10 cents better at HK$2.975 in volume of 19m shares, and Hongkong Land, up 15 cents at HK$8.65 in volume of nearly 4m shares.

SINGAPORE benefited from good domestic economic data – export earnings in October were well up – a stronger Malaysian currency, and widespread bargain buying. The Straits Times industrial index ended 6.75 higher to 999.52 on turnover of 16m shares.

Singapore

QUIET trading left gold shares slightly down in Johannesburg, although above their day's lows as the bullion price firmed

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 21 1988					FRIDAY NOVEMBER 18 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	144.65	−0.5	117.54	112.08	4.68	145.42	118.69	112.92	152.31	91.16	93.30
Austria (17)	98.82	+0.7	80.30	88.83	2.42	98.13	80.09	88.60	98.82	83.72	92.21
Belgium (63)	132.67	+0.4	107.80	119.58	4.23	132.08	107.80	119.22	139.89	99.14	101.29
Canada (125)	118.36	+2.9	96.18	103.87	3.35	114.98	93.84	102.57	128.91	107.06	101.55
Denmark (39)	150.46	+0.7	122.26	136.60	2.19	149.42	121.96	136.16	150.46	111.42	108.91
Finland (26)	128.37	−0.8	104.31	110.94	1.51	129.44	105.64	112.13	139.53	106.78	–
France (130)	109.81	−0.5	89.23	101.71	3.19	110.36	90.07	102.65	111.95	72.77	83.66
West Germany (102)	87.85	+1.0	71.39	78.88	2.36	86.95	70.97	78.43	87.85	67.78	74.77
Hong Kong (46)	105.99	−0.2	86.12	106.26	4.86	106.16	86.65	106.38	111.86	84.90	83.35
Ireland (16)	132.50	−0.3	107.66	120.88	4.13	132.92	108.48	122.05	144.25	104.60	102.88
Italy (98)	84.60	−0.6	68.75	81.13	2.49	85.13	69.48	82.02	86.73	62.99	75.53
Japan (456)	188.63	+1.2	153.28	145.35	0.51	186.44	152.17	144.42	188.63	133.61	137.42
Malaysia (36)	138.41	+0.0	112.47	142.41	3.01	138.42	112.98	142.77	154.17	107.83	104.55
Mexico (13)	176.77	+1.6	143.64	442.00	1.23	174.03	142.04	435.15	180.07	90.07	137.99
Netherland (38)	108.60	+0.0	88.24	96.45	5.11	108.58	88.62	97.01	111.00	95.23	96.61
New Zealand (25)	70.96	−2.2	57.66	58.29	6.71	72.60	59.25	59.36	84.05	64.42	77.66
Norway (25)	120.94	−0.5	98.27	107.52	2.70	121.50	99.16	108.72	132.23	98.55	102.46
Singapore (26)	117.94	+0.1	95.83	105.93	2.56	117.80	96.14	105.77	135.89	97.99	98.33
South Africa (60)	116.19	−1.0	94.41	95.84	4.80	117.36	95.79	96.81	139.07	98.26	124.86
Spain (42)	152.41	+0.5	123.85	131.40	3.11	151.59	123.72	131.26	164.47	130.73	117.61
Sweden (35)	133.86	+0.5	108.78	119.69	2.39	133.14	108.67	119.54	133.86	96.92	100.68
Switzerland (57)	76.37	−3.0	62.06	68.77	2.47	78.75	64.27	71.13	86.75	74.13	79.04
United Kingdom (318)	138.65	−0.2	112.67	112.67	4.68	138.90	113.36	113.36	141.18	120.66	120.37
USA (577)	108.53	−0.1	88.19	108.53	3.74	108.65	88.68	108.65	115.55	99.19	99.06
Europe (1008)	114.65	−0.1	93.16	98.87	3.75	114.79	93.69	99.43	115.20	97.01	97.79
Pacific Basin (680)	183.52	+1.1	149.13	142.34	0.73	181.55	148.18	141.53	183.52	130.81	133.69
Euro-Pacific (1688)	155.96	+0.7	126.73	125.08	1.63	154.84	126.38	124.79	155.96	120.36	119.36
North America (702)	109.04	+0.1	88.61	108.26	3.71	108.97	88.94	108.29	116.07	99.78	99.19
Europe Ex. UK (690)	99.59	−0.1	80.93	90.46	3.00	99.67	81.35	90.92	100.74	80.27	83.78
Pacific Ex. Japan (224)	122.55	−0.5	99.58	104.48	4.69	123.14	100.51	105.07	128.27	87.51	88.66
World Ex. US (1886)	154.27	+0.8	125.35	124.22	1.70	153.09	124.95	123.91	154.27	120.26	118.82
World Ex. UK (2145)	136.57	+0.6	110.97	119.58	2.07	135.79	110.83	119.32	136.57	111.77	110.27
World Ex. So. Af. (2403)	136.86	+0.5	111.21	119.07	2.29	136.16	111.13	118.90	136.86	113.26	111.07
World Ex. Japan (2007)	111.75	+0.0	90.81	105.01	3.78	111.79	91.24	105.28	115.54	100.00	98.58
The World Index (2463)	136.74	+0.5	111.11	118.92	2.30	136.05	111.04	118.75	136.74	113.37	111.16

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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Switzerland: Nestle market capitalisation has been increased to reflect the inclusion of the company's Registered shares, now available to non-residents.
Latest prices were unavailable for this edition.